Celebrating 100 years of service to Saskatchewan people

CIC

Crown Investments Corporation of Saskatchewan
Annual Report 2005

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CIC

Financial Results

2005 Financial Highlights

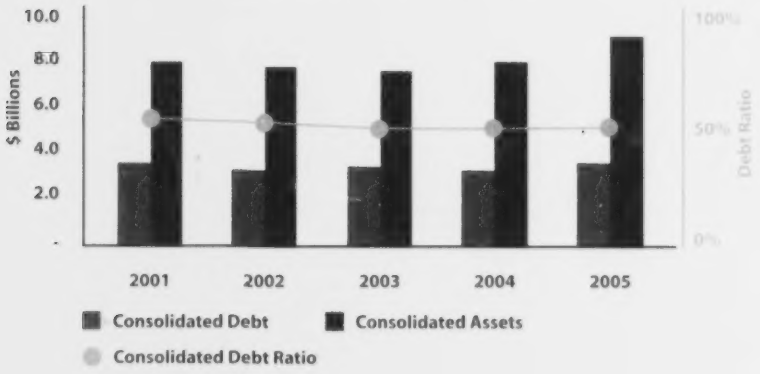
Assets	$9.2 billion
Long-term debt	$3.6 billion
Debt ratio[1]	51.7 %
Capital spending	$1.5 billion
Revenue	$4.3 billion
Net earnings	$306.7 million
Return on equity	9.2 %
Dividend to the GRF	$221.0 million

[1] Debt ratio calculation is based on long-term debt and notes payable, and excludes current liabilities and discontinued operations.

Saskatchewan Centennial 2005

CIC's solid financial performance has allowed it to declare dividends to the GRF of almost $1.2 billion over the past five years in addition to an equity repayment of nearly $0.2 billion, for a total of $1.4 billion.

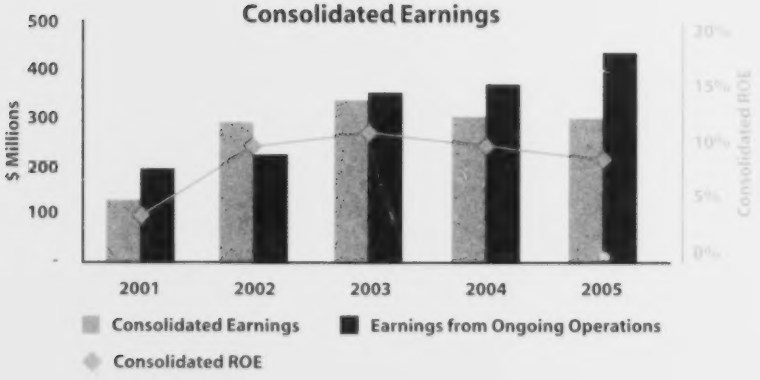
Consolidated Capital Structure



CIC's debt ratio has been stable over the past several years, an indication of prudent fiscal management in the Crown sector.

CIC's assets and debt increased significantly in 2005 due to a change in accounting policy that resulted in an increase to assets of $771 million.

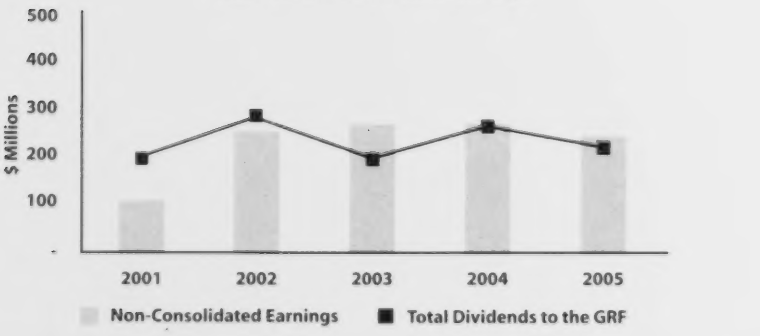
Consolidated Earnings



CIC had strong earnings from ongoing operations in 2005.

In 2005, net earnings from ongoing operations excluded discontinued operations, income taxes and non-recurring items.

Non-Consolidated Earnings



CIC's non-consolidated earnings determine its capacity to pay dividends to the GRF.

In 2005, CIC had non-consolidated earnings of $248 million and declared a dividend to the GRF of $221 million.

Letter Of Transmittal

106-05324/

Minister of
Crown Investments Corporation

SASKATCHEWAN

Legislative Building
Regina, Saskatchewan S4S 0B3

Regina, Saskatchewan
April 3, 2006

To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the twenty-eighth Annual Report of Crown Investments Corporation of Saskatchewan for the year ended December 31, 2005 in accordance with *The Crown Corporations Act, 1993*. The Consolidated and Non-Consolidated Financial Statements included in this Annual Report are in the form approved by the Treasury Board and have been reported on by our auditors.

I have the honour to be, Madam,

Your obedient servant,

Maynard Sonntag

Maynard Sonntag
Minister of Crown Investments Corporation of Saskatchewan

Chair's Message

The Speech from the Throne delivered on November 7, 2005, outlined the Saskatchewan Government's vision of a province where no one is left behind on the path to opportunity, a province with an unbreakable social fabric, built on the foundation of diverse and growing communities, in a green and prosperous economy. Saskatchewan's Crown corporations will play a vital role in realizing this vision, just as they have in contributing to the province's progress over the past 100 years. That is why "Celebrating 100 Years of Service to Saskatchewan People" is such a fitting theme for CIC's 2005 Annual Report. Saskatchewan's Centennial gives us an opportunity to celebrate and reflect on the contributions made by our Crown sector during our first century, and to look forward to the role they will play in the years to come.

Saskatchewan's earliest Crown corporations were established to provide accessible, reliable, high quality, affordable services to Saskatchewan people. They are still doing that today, while making a significant contribution to Saskatchewan's economy every year. In 2005 they: employed more than 11,000 people in communities across the province; purchased almost $2 billion in goods and services from 19,000 local suppliers; partnered with hundreds of other Saskatchewan companies to provide services; spent more than half a billion dollars on capital projects; and donated almost $10 million to charities and community events. There is more detail on the Crowns' contribution to Saskatchewan's economy in the CIC's Holdings section of this report.

CIC and its Crowns also played a significant public policy role in 2005. CIC led the development of the Saskatchewan Energy Share, a plan that provided relief from high energy costs while encouraging energy conservation. Government again met its commitment to provide Saskatchewan families with the lowest-cost bundle of basic utility rates in Canada. This was accomplished through the Saskatchewan Energy Share as well as good management of electricity, natural gas, phone, and car insurance rates by the four major Crowns.

Government also kept its commitment to the small business sector by establishing the Entrepreneurial Foundation of Saskatchewan and the Saskatchewan Entrepreneurial Fund. We are making progress on a similar fund that will help create economic development opportunities and jobs for First Nations and Métis people in Saskatchewan. We hope to announce details during 2006.

In 2005, CIC continued the work begun in 2004 to hire more young and Aboriginal people in our Crowns. The goals are to replace an aging Crown workforce, to have our Crowns better reflect the diversity of our population, and to provide attractive careers that will keep our educated, skilled young and Aboriginal people in Saskatchewan. Programs were established to provide: internships; upgrades to education; training in leadership and cross-cultural awareness; and assistance to universities in recruiting and retaining Aboriginal students. There is more detail on all of these initiatives in the Policy and Programs section of this report.

We have a lot to celebrate, not only in 2005, but in the first 100 years of service that our Crown corporations have provided to Saskatchewan people. Our vision for the next century is to build on this legacy so our Crowns will continue to be at the forefront in providing opportunities for our citizens, helping to diversify and grow our communities and our economy, and weaving a social fabric that is unbreakable.

I am pleased to present CIC's 2005 Annual Report.

Maynard Sonntag
Minister of Crown Investments Corporation of Saskatchewan*
Chair of the Board of Directors*

* Appointed February 3, 2006

President's Message

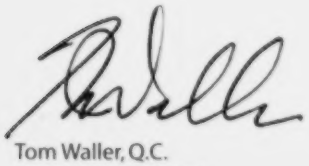
CIC and its subsidiary Crowns recorded another excellent year financially in 2005. Consolidated earnings of $306.7 million were down slightly from 2004 ($312.1 million), but revenue of $4.2 billion was up $404 million ($3.8 billion in 2004), due mainly to increased revenue at NewGrade and higher utility sales.

The Crown sector was also able to provide a dividend of $221 million to the province's General Revenue Fund (GRF), which is $46 million higher than budgeted ($175 million). Since 1995, CIC, on behalf of the Crown sector, has provided more than $2.3 billion to the GRF in dividends and equity repayments. The money goes toward programs and services that benefit all Saskatchewan people.

In 2005 the Crowns continued to work toward greater openness and transparency by improving on the measures introduced in 2004. As a holding company, CIC also continued to build on its leading-edge practices in corporate governance. As a result, our Crown corporation boards of directors ranked among the top public and private sector boards in the country in a governance review conducted by the Conference Board of Canada.

CIC's leadership in public policy has been mentioned by the Chair, and there is more information in the Policy and Programs section of this report. I would like to note, in particular, the new role CIC assumed in 2005 in establishing programs to build the province's entrepreneurial base and to provide rewarding careers in the Crowns for young and Aboriginal people, who are Saskatchewan's future.

The achievements of the Crown sector in 2005, both financially and in terms of public policy, will provide a solid foundation for another successful year in 2006.



Tom Waller, Q.C.
President and CEO*

* To February 28, 2006

Corporate Profile

CIC is the financially self-sufficient holding company for 11 subsidiary commercial Crown corporations and one major investment, NewGrade Energy Inc. Summary information on these holdings begins on page 12. Detailed information is in the CIC Consolidated section (tab 2) starting on page 72 .

CIC's roots are in The Government Finance Office (GFO), which was established in 1947. The GFO's role was to act as a holding company for many of Saskatchewan's Crown corporations and to be a mechanism for developing broad policy control, directing investment, and routing dividends into the government's consolidated fund. In 1978, the GFO was renamed Crown Investments Corporation of Saskatchewan. The Crown Corporations Act, 1993, is the current governing legislation.

CIC's Vision

CIC provides strategic focus to the Crown corporation sector. CIC is financially self-sufficient and is a leader in facilitating economic growth.

CIC's Mission

We are the Province of Saskatchewan's holding company that:

- provides strategic direction for subsidiary Crown corporations through effective governance and performance management; and
- enhances Saskatchewan's long-term economic growth and diversification through Crown corporations.

CIC's Values

CIC is committed to:

- using honesty, integrity and professionalism in dealing with all stakeholders;
- demonstrating leadership and innovation;
- communicating openly and effectively;
- taking full responsibility for our actions;
- creating a work environment that is attractive to highly skilled and knowledgeable people who work effectively together; and
- being a model employer by developing our employees' knowledge and skills.

CIC Structure

CIC was reorganized in late 2004 and early 2005 to better reflect its duties. The reorganization resulted in the transfer of some staff from Crown Corporation Services and the renaming of that division to Strategy and Governance. Two new divisions were created: Economic Initiatives, and Labour and Aboriginal Initiatives. Finance and Administration took on additional responsibilities, while Capital Pension and Benefits remained unchanged.

At December 31, 2005, CIC had 69 employees in its six divisions, organized as follows:

President's Office
This division is responsible for the overall direction of CIC. It includes the President's office and the General Counsel and Corporate Secretary functions, as well as the Communications, Human Resources and Government Relations units. The division had 11 employees.

Capital Pension and Benefits
The Capital Pension and Benefits Administration Division manages and administers the multi-employer Capital Pension Plan and a group benefits program in accordance with the applicable regulations and laws. It is also responsible for holding, in trust, the pension plan's funds for the benefit of members and any other persons entitled to benefits pursuant to the plan. The division had 7 employees.

Economic Initiatives
The Economic Initiatives Division supports CIC's mission to enhance the province's long-term economic growth and diversification. The division acts as a catalyst for identifying and initiating strategic economic development projects which require co-ordination with executive government, line departments, commercial Crown corporations, external agencies and/or the private sector. It also takes the lead in advancing the use of public-private partnerships and other alternative service delivery arrangements for infrastructure renewal, and in developing innovation and research initiatives. As well, the division manages CIC's NewGrade investment. The division had 14 employees.

Finance and Administration
The Finance and Administration Division provides sector-wide financial reporting and forecasting, manages CIC's budget and financial transactions and cash and debt positions, and provides corporate administrative support. The division provides analysis and recommendations to the CIC Board on CIC Crown corporation performance management and capital allocation plans, and on a wide range of Crown sector business issues. The division also provides comprehensive information technology services including electronic data, e-mail, network and security services. The division had 17 employees.

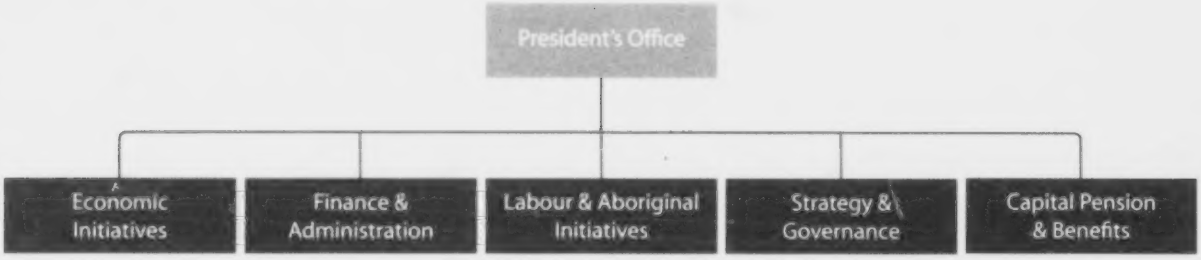
Labour and Aboriginal Initiatives
The Labour and Aboriginal Initiatives Division provides strategic advice, analysis and support to the CIC board, CIC management team and the Crown sector on labour relations issues, Aboriginal business/ employment issues and youth initiatives. The division includes units for Policy Analysis/Strategic Direction, Crown Aboriginal Business Relations, and Crown Corporation Human Resources, as well as support from a strategic project manager. The division had 8 employees.

Strategy and Governance
The Strategy and Governance Division ensures that CIC's subsidiary Crowns effectively implement government policy and collaborate on sector wide issues by promoting best practices in corporate governance, communicating and monitoring strategic shareholder direction, and developing sector wide policies and strategic plans. The division also leads policy analysis and development on broad sector wide issues and inter-agency projects. As well, it develops and implements CIC's business and strategic plans, and develops and reports on corporate performance indicators. The division also provides corporate secretariat services to the Crown Boards, and leading edge training and development to board members. The division had 12 employees

CIC Management

The responsibilities of CIC management are to:

- serve as staff to the CIC Board, providing analysis and recommendations on which informed decisions can be made;
- develop policy on Crown corporation and investment matters;
- serve as the CIC Board's communications link with Crown boards and management;
- co-ordinate the implementation of policy within the Crown sector;
- manage CIC's operations;
- take responsibility for the preparation, reliability and integrity of the financial statements; and
- monitor emerging issues in CIC's business environment.



CIC organizational structure as of December 31, 2005:

***Tom Waller, Q.C.,** President and Chief Executive Officer, is a lawyer with Bachelor of Arts and Bachelor of Laws degrees, who was appointed Queen's Counsel in 1995. He has been a practising lawyer since 1973 and was a partner in the Regina law firm Olive Waller Zinkhan & Waller prior to joining CIC in 2004.

****Larry Spannier**, Senior Vice President, Economic Initiatives, received Bachelor of Arts and Bachelor of Administration degrees prior to beginning work with the Government of Saskatchewan in 1977. He joined CIC in 2005.

Blair Swystun, Vice President and Chief Financial Officer, has Master of Business Administration and Bachelor of Science degrees, and is a Chartered Financial Analyst charter holder with 23 years of financial management experience within the public service.

Perry Bellegarde, Vice President, Labour and Aboriginal Initiatives, has a Bachelor of Business Administration degree and has held elected leadership positions for close to 20 years. From 1998 to 2003 he was Grand Chief of the Federation of Saskatchewan Indian Nations and Regional Vice Chief for the Assembly of First Nations. He became a vice president at CIC in 2005.

Dale Schmeichel, Vice President, Strategy and Governance, has Bachelor's degrees in Education and Arts (Honours); a Master's degree and an ABD Ph.D. in Arts, both majoring in Economic Geography; as well as more than 23 years of government service. He joined CIC in 2005.

Ken Klein, Executive Director, Capital Pension and Benefits, has a Bachelor of Arts degree, is a Certified Employee Benefits Specialist and a Fellow, Chartered Insurance Professional with more than 30 years of experience.

* Tom Waller resigned from the position of President and CEO effective February 28, 2006, to return to his law practice.

** Larry Spannier died January 29, 2006. See tribute on page 146.

Financial and Public Accountability Structure

The Crown Management (CIC) Board of Directors is responsible for monitoring and evaluating CIC's subsidiaries and for managing CIC's investments. At December 31, 2005, the CIC Board consisted of six members of the Provincial Cabinet appointed by the Lieutenant Governor-in-Council. The CIC Board is a key Cabinet committee which acts as a liaison between Cabinet and Crown corporations. The Board makes decisions in its own right, and forwards recommendations to Cabinet for consideration. The CIC Board met 18 times in 2005.

The CIC Board's key responsibilities are to:

- set strategic direction for the Crown sector;
- provide oversight to subsidiary Crown corporations by setting performance expectations, allocating capital within the sector, and monitoring and evaluating performance;
- provide oversight to CIC management by approving business plans and budgets, and monitoring and evaluating corporate performance; and
- act as an audit and finance committee by approving CIC's financial statements, and meeting with external auditors and the Provincial Auditor without management present.

CIC Board at December 31, 2005

Honourable Pat Atkinson, Chair
Minister of Crown Management Board (CIC)
Minister Responsible for Immigration
Minister Responsible for the Public Service Commission

Honourable Maynard Sonntag, Vice Chair
Minister of First Nations and Métis Relations
Minister of Highways and Transportation (January 1 – October 14, 2005)
Minister Responsible for Saskatchewan Telecommunications
Minister Responsible for Saskatchewan Government Insurance
Minister Responsible for Saskatchewan Transportation Company
(January 1 – October 14, 2005)

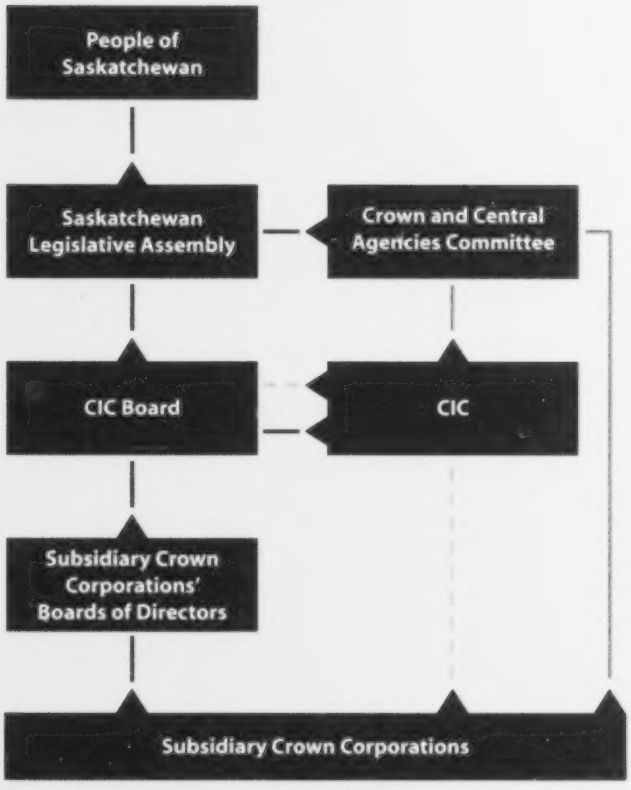
Honourable Eric Cline, Q.C
Minister of Industry and Resources
Minister Responsible for Investment Saskatchewan Inc.
Minister Responsible for Information Services Corporation of Saskatchewan
Minister Responsible for Saskatchewan Government Growth Fund Management Corporation
Minister Responsible for Saskatchewan Opportunities Corporation

Honourable Frank Quennell, Q.C.
Minister of Justice and Attorney General
Minister Responsible for Saskatchewan Power Corporation

Honourable Harry Van Mulligen
Minister of Finance
Government House Leader
Minister Responsible for SaskEnergy Incorporated
Minister Responsible for the Saskatchewan Development Fund Corporation

Honourable Eldon Lautermilch
(Board Member from October 14 – December 31, 2005)
Minister of Highways and Transportation (October 14 – December 31, 2005)
Minister Responsible for Saskatchewan Transportation Company
(October 14 – December 31, 2005)

Honourable Mark Wartman
(Board Member from January 1 – October 14, 2005)
Minister of Agriculture and Food



CIC's Holdings

Principles of Public Enterprise

Public enterprise plays a vital role in our province's economy and in the lives of Saskatchewan people. Public enterprise means government ownership of corporations or other significant investments in businesses, on behalf of the people.

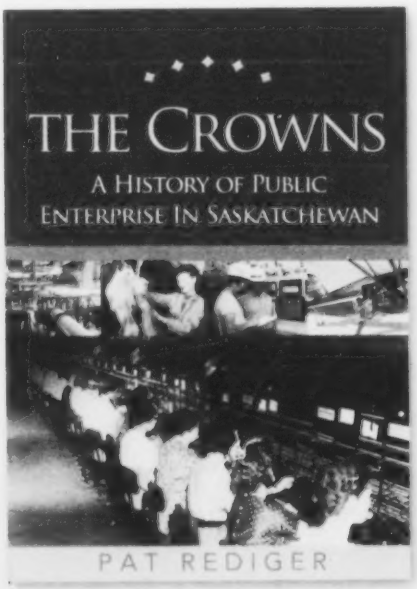
Saskatchewan's earliest Crown corporations were formed even before the province joined Confederation in 1905. These corporations were established because residents felt government should provide certain essential services that were either not offered by private companies, or not available to all residents on a fair and equitable basis. The four guiding principles were that the services provided by these government-owned corporations should be:

- universal, or available to everyone;
- reliable;
- of high quality; and
- offered at a reasonable cost.

These principles still hold today, as we celebrate Saskatchewan's Centennial in 2005 and look toward the future. The priority of our Crowns is to serve Saskatchewan people first. The Crowns must also balance public policy objectives with commercial and financial objectives. They are expected to contribute to the economy and to provide a good return on investment to their shareholders, the people of Saskatchewan.

History

The history of Saskatchewan's Crown corporations dates back to 1901, four years before Saskatchewan joined Confederation. There were no insurance companies to provide coverage to farmers, so farm groups appealed to the territorial government for assistance. The government responded by enacting a mutual hail insurance ordinance to insure crops against hail, at cost, with a sharing of risk. This early venture into the insurance business paved the way for other forays into public enterprise. A detailed history covering the period from 1900 to 2003 can be found in the book, *The Crowns: A History of Public Enterprise in Saskatchewan*. CIC commissioned the book as a Centennial project. An author from Regina, Pat Rediger, was contracted to research and write the book, which was published by the Canadian Plains Research Center. CIC provided complimentary copies to all public and independent high schools in the province, as well as band schools, public libraries and post-secondary libraries. Additional copies may be obtained by contacting CIC.



The following pages include summary information on each of CIC's holdings for 2005. For more detailed information on these holdings, see pages 72 to 90 or refer to the Crowns' individual annual reports, which are posted on their web sites.

Celebrating 100 Years of Service to Saskatchewan People

Note: For the purposes of this section, total employees refers to the number of people employed by each holding during the fiscal year. This includes all full-time, part-time, casual, temporary, and contract employees, as well as all interns, co-op and summer students. SaskTel's number for total employees also includes 443 people who were employed by the company outside the province.

Information Services Corporation of Saskatchewan (ISC)

Information Services Corporation OF SASKATCHEWAN

ISC was established on January 1, 2000 as a wholly-owned subsidiary of CIC, but it has a history that pre-dates the province itself. ISC is responsible for the administration of land titles, geographic information systems (GIS), surveys, mapping, and the personal property registry.

ISC provides valued customer-focused services through all business channels, including the Internet, telephone, fax, and in-person at eight Customer Service Centres located throughout the province.

2005 Overview

President	**Mark MacLeod**
Total employees	**255**
Assets	**$47.4 million**
Revenue	**$45.8 million**
Profit	**$8.3 million**
Web site	**www.isc.ca**
Inquiry	**1-866-275-4721**

Early land survey crew

Aerial photograph of Albert Street Bridge, Regina

Photographs supplied by Information Services Corporation of Saskatchewan

Investment Saskatchewan Inc. (IS)

Investment Saskatchewan

Investment Saskatchewan was formerly known as CIC Industrial Interests Inc. It became a stand alone subsidiary in September 2003. The corporation's mandate is to enhance Saskatchewan's long-term economic growth and diversification by providing investment capital and financing, and to prudently manage portfolios of commercially viable investments.

2005 Overview

President	**Janet Wightman**
Total employees	**22**
Assets	**$1.4 billion**
Revenue	**$160.9 million**
Loss	**$87.7 million**
Web site	**www.investsask.com**
Inquiry	**(306) 787-7200**

Constructing Saskferco in Belle Plaine, 1991

First load of logs at the Meadow Lake Oriented Strand Board facility, 2003

Photographs supplied by Investment Saskatchewan Inc.

Saskatchewan Government Insurance (SGI)

SGI

SGI was established in 1945 to provide affordable, quality insurance to Saskatchewan people. Under the trade name SGI CANADA, which is a wholly-owned subsidiary of CIC, it conducts a competitive property and casualty insurance business in six Canadian provinces. It offers a comprehensive line of home, tenant, farm, automobile extension and commercial coverage.

SGI also administers the Saskatchewan Auto Fund, the province's compulsory auto insurance program and the provider of its driver's licensing and vehicle registration system. The Auto Fund is a not for profit operation which does not receive money from, or pay dividends to, the province.

2005 Overview

	SGI CANADA	Auto Fund
President	**Jon Schubert**	
Total employees	**1,660**	
Assets	**$598.2 million**	**$1.2 billion**
Revenue	**$308.8 million**	**$607.8 million**
Profit	**$35.2 million**	**$61.4 million**
Web site	**www.sgi.sk.ca**	
Inquiry	**1-800-667-9868**	

Bushman Agency, Humboldt

SGI CANADA's mobile claims unit

Photographs supplied by Saskatchewan Government Insurance

Saskatchewan Opportunities Corporation (SOCO)

SOCO is a wholly-owned subsidiary of CIC which was established in 1994.

SOCO's mission is to support the growth and success of Saskatchewan's technology sector. It fulfills this mission through the development and operation of research parks on the campuses of the province's two universities in Saskatoon and Regina, as well as a forest sector building in downtown Prince Albert.

2005 Overview

President	**Doug Tastad**
Total employees	**91**
Assets	**$13.7 million**
Revenue	**$22 million**
Profit	**$5.5 million**
Web site	**www.innovationplace.com**
Inquiry	**(306) 933-6295**

Aerial photograph of Galleria Building in Saskatoon, 1982

Research Park, Regina, 2004

Photographs supplied by Saskatchewan Opportunities Corporation

Saskatchewan Power Corporation (SaskPower)

SaskPower

SaskPower is a wholly-owned subsidiary of CIC that was established as the Saskatchewan Power Commission in 1929. Its purpose was to provide safe, reliable, cost-effective power to Saskatchewan people. Today SaskPower is the principal supplier of electricity in Saskatchewan, providing services to more than 441,000 residential, farm, industrial and commercial customers.

SaskPower's generating capacity, using its own facilities, is more than 3,050 megawatts (MW). Of these facilities, three are coal-fired, seven are hydroelectric, four are natural gas and one is wind-powered. The Centennial Wind Power Facility – the corporation's newest generating facility – will have a generation capacity of 150 MW upon completion.

2005 Overview

President	**Patricia Youzwa**
Total employees	**3,110**
Assets	**$4.1 billion**
Revenue	**$1.3 billion**
Profit	**$130.5 million**
Web site	**www.saskpower.com**
Inquiry	**1-888-757-6937**

SaskPower has approximately 450 MW of additional generating capacity available through long-term purchase agreements from independent producers. It also has interconnected transmission lines at the borders of Alberta, Manitoba and North Dakota, where it can sell excess product or import power to meet demands at home.

Wire gang August 31, 1928

Cypress wind power facility near Gull Lake, 2002

Photographs supplied by Saskatchewan Power Corporation

Saskatchewan Telecommunications (SaskTel)

SaskTel

SaskTel is a wholly-owned subsidiary of CIC which was established as the Department of Railway, Telephones and Telegraphs in 1908. Its goal was to provide cost-effective service to as many farms, homes and businesses as possible.

Today the corporation serves more than 425,000 customers in 13 cities, 535 smaller communities and surrounding rural areas, and about 49,000 farms. SaskTel's subsidiaries have a presence throughout Canada and internationally.

SaskTel is the leading full service communications company in Saskatchewan. It provides competitive voice, data, dial and high speed internet, entertainment and multimedia services, security, web hosting, text and messaging services, and cellular and wireless data services over its digital networks.

2005 Overview

President	**Robert Watson**
Total employees	**5,090**
Assets	**$1.2 billion**
Revenue	**$982.2 million**
Profit	**$64.4 million**
Web site	**www.sasktel.com**
Inquiry	**1-800-727-5835**

The corporation also provides security monitoring services through SecurTek, directory services through DirectWest, in-room communications services to the health care sector through Hospitality Network, telecommunications consulting services through SaskTel International, and national telecommunications services through Navigata Communications.

Two SaskTel operators c. 1950's

SaskTel Max

Photographs supplied by Saskatchewan Telecommunications

SaskEnergy Incorporated (SaskEnergy)

SaskEnergy

Saskatchewan's provincially owned natural gas system began operations in 1952. SaskEnergy, which is a wholly-owned subsidiary of CIC, was formed in 1988 to continue providing natural gas transmission and distribution services across the province.

The system has grown substantially over the years, with service now extended to more than 90 per cent of Saskatchewan communities. Today SaskEnergy provides safe, reliable and economical natural gas service to more than 329,000 residential, farm, commercial and industrial customers in the province.

2005 Overview

President	**Doug Kelln**
Total employees	**983**
Assets	**$1.4 billion**
Revenue	**$321 million**
Profit	**$76.7 million**
Web site	**www.saskenergy.com**
Inquiry	**1-800-567-8899**

Construction crew near Kindersley, 1952

Share the Warmth Home Energy Efficiency Project volunteer, Moose Jaw, Fall 2005

Photographs supplied by SaskEnergy Incorporated

Saskatchewan Transportation Company (STC)

STC
The Bus Company

STC is a wholly-owned subsidiary of CIC that has been providing passenger transportation and parcel express services throughout the province since 1946. The bus company was established to ensure that as many communities as possible had access to reasonably priced transportation. It was essential to rural communities in the early years because it was often the only form of transportation available, and the only way people could ship or receive freight.

Today STC owns and operates depots in Regina, Saskatoon and Prince Albert. It runs 28 bus routes, serving 275 communities throughout the province, providing more than 3.1 million miles in service each year.

2005 Overview

President	**Ray Clayton**
Total employees	**252**
Assets	**$21.2 million**
Revenue	**$14.8 million**
Loss before grant	**$5.4 million**
Web site	**www.stcbus.com**
Inquiry	**(306) 787-3347**

The company's goals are to continue to provide safe, courteous, reliable and affordable service to as much of Saskatchewan as possible, and to increase its customer base where practical, while minimizing the cost to its stakeholders.

Bus on its way to Lac La Ronge c. 1950's

Exterior image of the new Bus Depot in Regina to be completed in 2007

Photographs supplied by Saskatchewan Transportation Company

Saskatchewan Water Corporation (SaskWater)

SaskWater
The Quality Advantage

SaskWater is a wholly-owned subsidiary of CIC which was established in 1984. Its mandate was revised in 2002. The corporation, which has its headquarters in Moose Jaw, provides competitively-priced, customer-focused, quality water and wastewater services to Saskatchewan industries, municipalities, First Nations and rural water groups. SaskWater recognizes that its products and services are essential to life and that its customers' expectations are high – as they should be.

2005 Overview

President	**Stuart Kramer**
Total employees	**79**
Assets	**$69.9 million**
Revenue	**$17.8 million**
Loss before grant	**$1.0 million**
Web site	**www.saskwater.com**
Inquiry	**1-888-230-1111**

SaskWater designs, builds, owns and operates water supply and wastewater systems providing quality water and cost-effective wastewater treatment that meet or exceed regulatory requirements. SaskWater also operates and maintains customer-owned systems. The company's turn-key solutions, complete with financing options, serve to maximize drinking water quality and minimize risk and liability.

Pipeline expansion to the Village of St. Louis, 2004

Checking water quality results at SaskWater's treatment plant near Wakaw, 2002

Photographs supplied by Saskatchewan Water Corporation

Saskatchewan Government Growth Fund Management Corporation (SGGFMC)

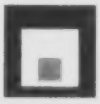
SGGFMC is a wholly-owned subsidiary of CIC which was established in 1989. It has operated under the federal government's Immigrant Investor Program (IIP), creating and managing subsidiary fund companies to raise venture capital from new Canadian immigrants. The IIP ended on March 31, 1999, but the capital raised will need to be managed for at least the next four years. Management services were contracted to Crown Capital Partners Inc. on October 1, 2000.

2005 Overview

President	**Don Axtell**
Assets	**$4.0 million**
Revenue	**$1.9 million**
Loss	**$0.1 million**
Total assets under management	**$80.5 million**
Web site	**www.sggfmc.com**
Inquiry	**(306) 787-7732**

Note: SGGFMC has no direct employees. CIC staff provide executive and administrative services to the corporation.

Saskatchewan Development Fund Corporation (SDF)



Saskatchewan Development Fund Corporation

The Saskatchewan Development Fund Corporation was established in 1974 to manage a mutual fund open to investment by Saskatchewan residents. The corporation later expanded its product line by offering: RRSPs, Deferred Profit Sharing Plans and term-certain annuities. By 1982 the mutual and annuity funds had grown to a combined total of about $42 million. In 1983 the corporation discontinued the sale of new investments. Since then, it has focused on meeting the needs of the remaining clients and on the orderly wind-down of the remaining assets.

2005 Overview

General Manager	**Don Axtell**
Assets	**$2.8 million**
Revenue	**$159,800**
Profit	**$63,000**
Year end market value of the Mutual Fund	**$3.4 million**
Inquiry	**(306) 787-5914**

Note: The corporation has no direct employees. CIC staff provide executive and administrative services to the corporation. The corporation does not maintain a web site. A copy of the 2005 annual report can be obtained by contacting the corporation at (306) 787-5914.

NewGrade Energy Incorporated (NewGrade)

NewGrade operates a heavy oil upgrader in Regina in conjunction with a refinery owned by Consumers' Co-operative Refineries Ltd. (CCRL), which is a wholly-owned subsidiary of Federated Co-operatives Ltd. of Saskatoon. The upgrader processes heavy crude oil into synthetic crude oil. It was built in 1988 and began operation in November of that year.

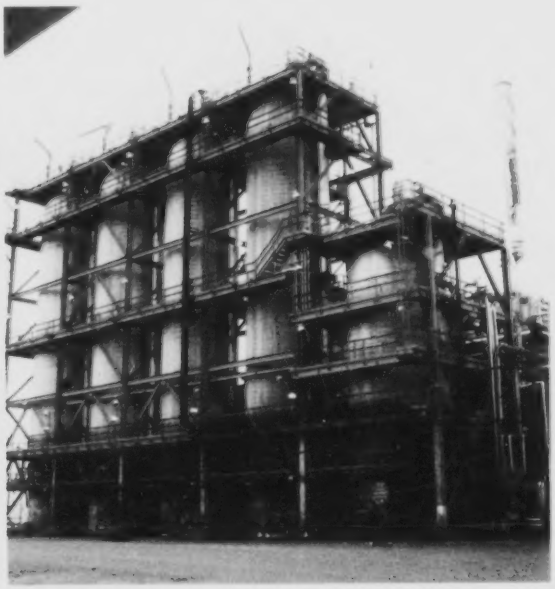
CIC and CCRL each have a 50 per cent interest in NewGrade. NewGrade was a direct investment by CIC, not CIC Industrial Interests Inc. (CIC III), so it stayed with the holding company when CIC III became a stand-alone subsidiary and was renamed Investment Saskatchewan.

2005 Overview

Total employees	**160**
Assets *	**$171.3 million**
Revenue *	**$757.4 million**
Profit *	**$88.9 million**

*** Represents CIC's 50% share**

Aerial photograph showing section 111 of the upgrader, 2004



The ARDS reactors, the heart of the upgrader, 2004

Photographs supplied by NewGrade Energy Incorporated

Economic Contribution of the Crown Sector

This section is designed to show the contribution of the provincial Crown sector (CIC and its subsidiary Crowns) to Saskatchewan's economy. We have included a Crown in a category only if it has something to report in that category. For example, we have excluded CIC from the Partners and Capital spending categories. SGGFMC and SDF have been excluded from all categories. The numbers for SGI include SGI CANADA and the Auto Fund.

Employees

	Regina	Rest of province	Total
SaskPower	**1,211**	**1,899**	**3,110**
SaskTel	**2,688**	**1,959**	**4,647**
SaskEnergy	**453**	**530**	**983**
SGI	**1,119**	**541**	**1,660**
STC	**128**	**124**	**252**
SOCO	**22**	**69**	**91**
SaskWater	**4**	**82**	**86**
ISC	**206**	**49**	**255**
IS	**20**	**2**	**22**
CIC	**81**	**6**	**87**
Total	**5,932**	**5,261**	**11,193**

SaskTel also employs 443 people outside the province, for a total of 5,090 employees. That brings the total number of Crown employees to **11,636** in 2005.

Employees: Includes all full-time, part-time, casual, temporary, and contract employees, as well as all interns, co-op and summer students employed by the Crowns. The purpose is to provide a picture of the total number of people employed by each Crown in Saskatchewan during the fiscal year.

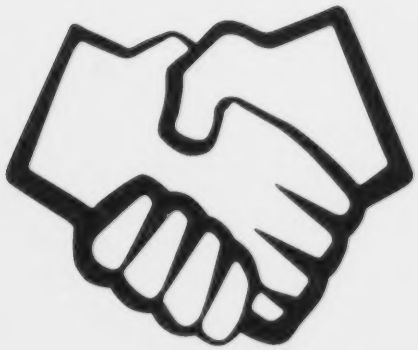
Local purchasing

SaskPower	**$750.3 million**
SaskTel	**$529.4 million**
SaskEnergy	**$107.6 million**
SGI	**$369.7 million**
STC	**$19.4 million**
SOCO	**$23.9 million**
SaskWater	**$6.95 million**
ISC	**$43.1 million**
IS	**$3.6 million**
CIC	**$7.6 million**
Total	**$1.86 billion**

Local purchasing: The purpose is to show the effect of Crown spending on communities. The totals for each Crown show the amount spent on goods and services from Saskatchewan suppliers. They also include employee earnings, a significant portion of which is spent in the employee's community.

Suppliers supported

SaskPower	4,846
SaskTel	4,000
SaskEnergy	3,751
SGI	4,121
STC	1,200
SOCO	357
SaskWater	300
ISC	374
IS	101
CIC	188
Total	**19,238**



Suppliers supported: This includes the number of Saskatchewan-based suppliers from whom each Crown made significant purchases of goods and services. It does not include smaller purchases such as restaurant meals.

Partners

	Number	Type
SaskTel	140	dealers
SaskEnergy	133	residential network members
	18	commercial network members
SGI	279	independent brokers
	422	independent motor licence issuers
STC	195	agents outside the cities which have depots
	12	private bus and freight lines with interline agreements
SaskWater	2	associations representing engineers and municipal governments
ISC	2	
IS	62	investees
	18	investment partners
Total	1,283	

Partners: The purpose is to show the number and types of businesses in Saskatchewan which have partnerships with Crowns to provide services and/or products to Saskatchewan people.

Capital spending

SaskPower	**$473.1 million**
SaskTel	**$141.1 million**
SaskEnergy	**$58.6 million**
SGI	**$5.4 million**
STC	**$3.8 million**
SOCO	**$6.4 million**
SaskWater	**$2.4 million**
ISC	**$5.6 million**
Total	**$696.4 million**

Capital spending: The purpose is to show the effect of Crown capital spending on communities.

Community donations

SaskPower	**496**	**103**	**$2.1 million**
SaskTel	**1,644**	**188**	**$3.6 million**
SaskEnergy	**1,271**	**290**	**$1.6 million**
SGI	**324**	**85**	**$1.7 million**
STC	**15**	**3**	**$10,000**
SOCO	**29**	**3**	**$28,000**
SaskWater	**75**	**30**	**$65,000**
ISC	**52**	**12**	**$32,000**
IS	**17**	**2**	**$161,000**
CIC	**57**	**7**	**$176,000**
Total	**3,980**	**723**	**$9.47 million**

Community donations: Each Crown has its own donations and sponsorships policy and makes its own decisions about organizations and events it will sponsor. The focus is on Saskatchewan-based charities, community events and organizations. The total number of events/organizations may include duplicates because some Crowns may have sponsored the same event/organization. As well, the total number of communities may count the same community several times.

Policy and Programs

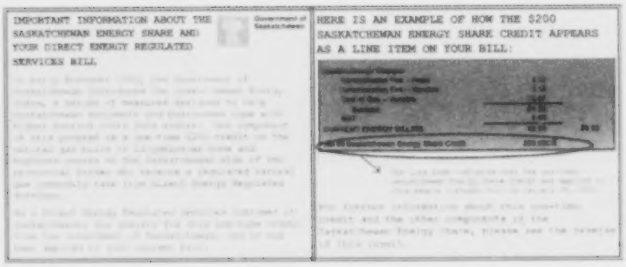
Saskatchewan Energy Share

SASKATCHEWAN
Energy
Share

Saskatchewan Energy Share is the Government of Saskatchewan's two-part plan to help Saskatchewan people reduce heating costs and share the benefits of increased revenues from natural gas.

The first part of the plan was announced November 2, 2005. It was designed to provide one-time, transitional assistance to shield people from high energy costs for the five winter months (November 2005 through March 2006). There were four components to this assistance:

- Capping the SaskEnergy rate at $7.95 per Gigajoule for customer classes subject to rate review, from November 1, 2005 to March 31, 2006. With the actual cost of gas at $10.88 per GJ, the result was a subsidy of $2.93 per GJ. The average bill impact amounted to a 10 per cent increase for residential and farm customers and an 11 per cent increase for business customers, rather than the 41 per cent increase requested by SaskEnergy and the 27 per cent increase recommended by the Saskatchewan Rate Review Panel.
- Additional assistance for low income people. Government paid the increased energy costs for those whose utility bills are paid by government. As well, supplements of $20 per month, for the five-month period, were provided to people who were receiving income support payments.
- A grant of $200 for people and businesses which use fuel oil and propane as their primary heating source. This assistance was provided because the cost increases for these products have been similar to those for natural gas. As well, these fuels are already more expensive when used for heating purposes. The deadline for applications for the grant was March 31, 2006.
- A grant of $200 for people and businesses located on the Saskatchewan side of Lloydminster. These residents and businesses did not have access to SaskEnergy's natural gas supply and were not eligible for subsidies from the Alberta Government. The $200 grant was applied to the January 2006 bill from their energy supplier in Alberta.


IMPORTANT INFORMATION ABOUT THE SASKATCHEWAN ENERGY SHARE AND YOUR DIRECT ENERGY REGULATED SERVICES BILL

HERE IS AN EXAMPLE OF HOW THE $200 SASKATCHEWAN ENERGY SHARE CREDIT APPEARS AS A LINE ITEM ON YOUR BILL:

The second part of the plan was announced November 8, 2005. It was designed to encourage people to reduce energy consumption and become more energy efficient. Doing so will help the environment and help people save money on future energy cost increases. The six energy conservation programs are:

- Expansion of the PST exemption on ENERGY STAR appliances to include furnaces and boilers, effective November 8, 2005 to March 31, 2007. There is also a $100 grant for qualified furnaces and boilers purchased and installed between September 1 and November 7, 2005;
- A rebate of up to $45 on ENERGY STAR qualified programmable thermostats purchased between September 1, 2005 and March 31, 2007;
- Expansion of SaskEnergy's Share the Warmth home energy efficiency project for the five years from 2006 through 2010;
- Matching of the federal grant for changes made after an EnerGuide for Houses follow-up audit, effective September 1, 2005 to March 31, 2007;
- Expansion and cost-sharing of the federal EnerGuide for low income households, from 2006 through 2010; and
- A new Saskatchewan EnerGuide program for moderate income homeowners, from 2006 through 2007.

At the time of the announcements, it was estimated that the Saskatchewan Energy Share would cost the province about $167.84 million – approximately $130.54 million for the energy cost subsidy and $37.3 million for the conservation programs. Funding would come from the province's General Revenue Fund (GRF), which was recording a surplus as a result of increased revenues, largely due to higher royalties from natural gas. Lower consumption during the winter, due to lower prices and warmer than expected weather, decreased the projected cost of the subsidy by approximately $48 million.

Subsequent to year-end, the provincial Government departments and Crowns involved in Saskatchewan Energy Share collaborated to launch a web site at **www.skenergyshare.com** to provide information about the plan, with a focus on the conservation programs. Marketing included print, radio, and television advertising, as well as a brochure which was mailed to all homes in Saskatchewan.

Utility Bundle Commitment

Premier Lorne Calvert made a commitment in 2003 that Saskatchewan families would enjoy the lowest-cost bundle of basic utility rates in Canada every year. He said keeping the commitment would be the ultimate performance measurement for Saskatchewan's utility Crown corporations. The bundle includes residential electricity and natural gas, basic phone service, and car insurance.

CIC developed a methodology for calculating the bundle costs and comparing those costs for communities across Canada. The initial benchmark comparisons showed Saskatchewan had the second-lowest overall bundle cost. Near the end of 2004, it was evident that Saskatchewan would remain second lowest unless action was taken. CIC determined that by providing a rebate of $137 to 380,000 Saskatchewan households, Government would meet its commitment for the lowest-cost utility bundle for 2004. The national accounting firm Meyers Norris Penny validated CIC's conclusions. CIC administered the rebate program on behalf of Government. Total cost, including administration, was $52.0 million in 2004.

In 2005, Government again kept its commitment to provide the lowest-cost utility bundle to Saskatchewan families. When Government announced the first part of the Saskatchewan Energy Share on November 2, 2005, it also announced that projections to year-end showed Saskatchewan would have the lowest-cost bundle for 2005. A rebate would not be needed. The commitment was met partly because of the subsidization of SaskEnergy rates for November and December, but also because of good management of the four bundle components throughout 2005.

Meyers Norris Penny has again reviewed CIC's cross-Canada comparisons and bundle calculations, and validated the results. The Meyers Norris Penny report can be found on CIC's web site at **www.cicorp.sk.ca.**

2005 Provincial Utility Bundle Cost Rankings

Province	Total Bundle Cost	Variance to Sask.	Rank
British Columbia	$ 3,865.84	$ 486.48	3
Alberta	4,466.73	1,087.37	5
Saskatchewan	**3,379.36**	**0**	**1**
Manitoba	3,390.28	10.92	2
Ontario	6,399.88	3,020.52	10
Quebec	4,307.54	928.18	4
New Brunswick	5,277.64	1,898.28	6
Nova Scotia	5,995.80	2,616.44	8
Prince Edward Island	5,368.57	1,989.21	7
Newfoundland	6,191.64	2,812.28	9

Notes:
The calculations do not represent actual consumption charges in each jurisdiction. They represent Saskatchewan's consumption patterns with each jurisdiction's rates. All costs shown are for the full calendar year.

Calculations for individual bundle components were based on the annual cost for:
- a single line residential touch-tone phone;
- 8,100 kilowatt hours of electricity;
- 3,550 cubic metres of natural gas; and
- insurance rates for the 34 most common vehicles registered in Saskatchewan and a selection of driver profiles.

These costs include any natural gas or electricity rebates, and any auto insurance discounts such as good driver discounts. The costs do not include municipal surcharges, or provincial or federal taxes.

Saskatchewan Rate Review Panel

The Saskatchewan Rate Review Panel (SRRP) was established in 2000 as an advisory body to Government. In 2002 the Panel's mandate was extended for three years. It was extended for a further three years in 2005.

SRRP's role is to conduct reviews of rate changes proposed by SaskPower, SaskEnergy and SGI (on behalf of the Saskatchewan Auto Fund). The Panel hires consultants, holds public meetings, and seeks input from individuals and organizations. It considers the interests of the customer, the Crown, and the public, and then provides the Minister of Crown Investments Corporation with an opinion on the fairness and reasonableness of the proposed change(s).

Government's commitment to provide the lowest-cost bundle of basic residential utility rates did not affect the workings of the Panel in 2004 or 2005. Government did not ask the Panel to consider rate change proposals in light of how they would affect Saskatchewan's bundle costs. That responsibility remained with Cabinet. The Panel still has an important role to play as an advisory body to Government, especially because the bundle does not apply to business or commercial rates.

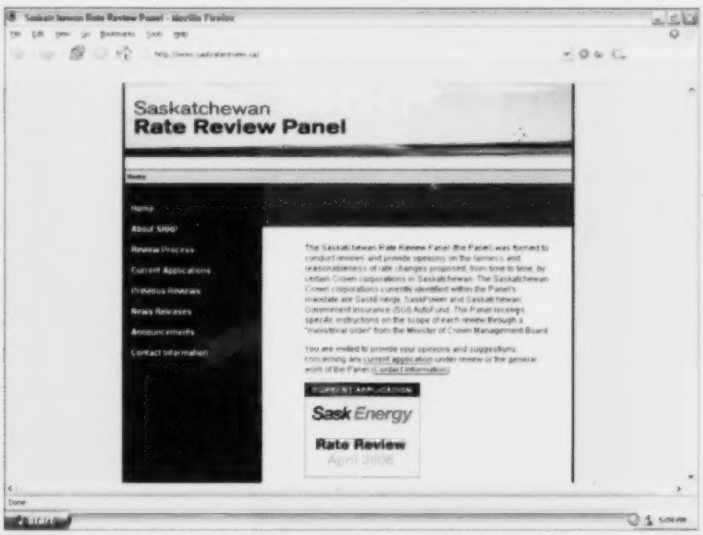
In 2005 SRRP conducted two rate reviews. The first dealt with SaskPower's request for an average system-wide rate increase of 4.9 per cent, to take effect October 1, 2005. In late September, before the Panel was to report its findings, SaskPower asked that the proposed increase be deferred to January 1, 2006. Unusually high rainfall had led to improved hydro conditions throughout the summer and early fall. As a result, the corporation's financial picture had improved significantly since it filed its proposal, and it no longer needed a rate increase in 2005. The Panel agreed to the deferral and recommended in favour of the increase. Government approved the recommendation.

The second review involved SaskEnergy's request for a commodity rate that would result in an average bill increase of 27 per cent for customers, effective November 1, 2005. During the review process, market price increases led SaskEnergy to revise the rate to reflect an average bill increase of 41 per cent. The Panel recommended in favour of the original request. Government responded with the Saskatchewan Energy Share, which capped the rate increase at an average bill impact of 10 per cent to the end of March 2006.

The members of the Panel at December 31, 2005 were:

- Boris Kishchuk, Saskatoon, Chair
- Jack Boan, Regina, Vice Chair
- Jo-Ann Carignan-Vallee, Assiniboia
- Bernadette Garrett, Landis
- Joan Meyer, Swift Current
- Ken Pontikes, Saskatoon
- Pam Smith, Regina
- Linda Thauberger, Regina

For more information on SRRP, see the Panel's web site at **www.saskratereview.com.**



Commitment to Entrepreneurship

In November 2005, CIC announced the establishment of **The Entrepreneurial Foundation of Saskatchewan and The Saskatchewan Entrepreneurial Fund**. Premier Lorne Calvert had made a commitment in 2003 that the entities would be established to encourage the development and growth of entrepreneurship and small businesses in the province. The goal is to build Saskatchewan's economy by developing an entrepreneurial base, especially among young, rural, northern and First Nations and Métis people.

The Foundation will provide business advice, mentoring, and support services to help existing and aspiring entrepreneurs develop investment-ready business plans. These business plans will then be eligible for investments from the Fund, which will provide financing of up to $1 million for each approved proposal. Research has shown that there is a financing gap for projects that require up to $1 million in equity.

CIC will provide $1.8 million in operating capital for the Foundation, and up to $25 million for the Fund over the next five years. SaskCentral, on behalf of Saskatchewan's credit unions, will also invest in the Fund. Both the Foundation and the Fund will actively seek other private sector partners.

The Foundation will be guided by a private sector Board of Directors:

- Keith Brown, President, Trail Tech, Gravelbourg, Chair;
- Garnette Weber, Vice President and CFO, ITracks, Saskatoon, Vice Chair;
- Sonja Dahlman, Economic Development Officer, SEDA, Assiniboia;
- Doug Gill, Managing Director, Industry Liaison Office, University of Saskatchewan, Saskatoon;
- Garth Melle, Vice President, Research and Development, SaskCentral, Regina;
- Warren Sproule, lawyer, Kanuka Thuringer, Regina;
- Ray Ahenakew, President, Saskatchewan Indian Institute of Technologies (SIIT), Saskatoon;
- Bob Schad, Office of the Vice President of Research, University of Regina, Regina; and
- Kent Campbell, Director, Economic Initiatives, CIC, Regina.

The board appointed Ben Voss of Saskatoon as CEO of the Foundation, effective November 1, 2005. Voss is a professional engineer who is also a successful young entrepreneur. The Foundation's head office is located at Innovation Place in Saskatoon.

The Fund will be managed by PFM Capital Inc. of Regina, which will invest $1 million through Prairie Entrepreneurial Fund Investments Inc.

Ben Voss speaking at the launch of The Entrepreneurial Foundation of Saskatchewan and The Saskatchewan Entrepreneurial Fund

Minister Pat Atkinson speaking at the launch of The Entrepreneurial Foundation of Saskatchewan and The Saskatchewan Entrepreneurial Fund

Commitment to Youth and Aboriginal People

In 2003, Premier Lorne Calvert announced that CIC, on behalf of the Crown sector, would invest $20 million over the next five years to hire more young and Aboriginal people in the CIC Crown corporations. There are two main goals:

- To renew the workforce in the Crown sector, where it is estimated that more than half of the current Crown employees (about 5,000 people) will retire by 2017; and
- To offer young and Aboriginal people a bright future in Saskatchewan by providing them with opportunities to stay in the province to pursue their careers and raise their families.

CIC worked with partners to develop and implement four programs under this commitment during 2005. They are in addition to the **CIC Aboriginal Bursary Program**, which was announced in June 2004. CIC will provide up to $2 million over five years for bursaries for Aboriginal students enrolled in undergraduate studies at the First Nations University of Canada, or the University of Regina or its federated colleges. The purpose is to assist the students with their finances so they can attend university.

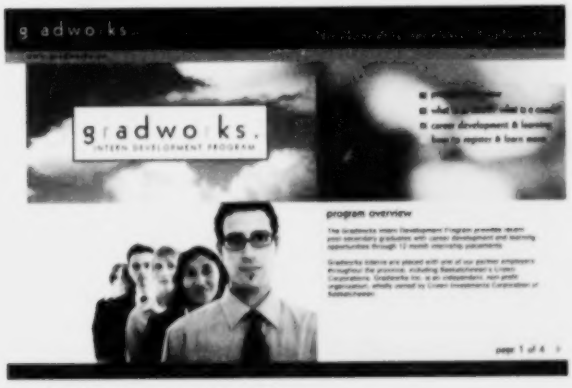
To qualify, students must be Status Indian, non-status Indian, Métis or Inuit, and they must demonstrate financial need. The bursaries provide $2,500 per semester, or $5,000 per academic year. Eight bursaries were awarded for the 2005 winter semester and 41 bursaries for the 2005-2006 university year. That's in addition to 26 bursaries awarded in the fall of 2004 for the 2004-2005 university year. CIC expects to assist up to 165 students over the five-year life of the program.

The **Gradworks** internship program was formally launched in February 2005, after operating on a trial basis in 2004. Gradworks provides recent post-secondary graduates with internships in the CIC Crown corporations. The program is intended for those who have little or no work experience. The purpose is twofold: to provide educated young people with job opportunities in Saskatchewan; and to give them valuable work experience that may lead to permanent jobs in the Crowns or with other employers.

Each internship is for 12 months. CIC pays the interns' gross salary of $2,300 per month, which the Crowns may top up at their expense. Internship opportunities are posted on the Gradworks web site at **www.gradworks.ca**, where potential interns register and apply for the jobs. The site also provides resources to assist with things like career planning and building a resume.

During 2005, more than 2,000 potential interns registered on the web site, and CIC and its Crowns filled 88 internship positions, exceeding the target of 85. That's in addition to 15 internships in 2004. As of February 2006, 35 of those interns had been hired permanently by a Crown, while another 11 had found full-time jobs in other corporations. The goal of Gradworks is to provide 325 internships over the five-year life of the program, and to eventually expand the program to include other employers in the public and private sectors.

Gradworks operates as a non-profit corporation which is a subsidiary of CIC. It gets its annual funding from CIC and has its own Board of Directors. It also files separate financial statements, beginning with the 2005 fiscal year.



Gradworks brochure printed in 2005

gradworks.
INTERN DEVELOPMENT PROGRAM

CIC and the University of Saskatchewan established the **Mathematics and Science Enrichment Program** in 2005 to help First Nations and Métis students prepare for further study or careers in the maths and sciences. The program will evaluate students' needs, provide courses to upgrade academic skills in the maths and sciences, offer workshops in research and exam writing, and provide cultural support from elders.

CIC will provide $1 million over five years to fund a program co-ordinator, instructors, elders, skills development workshops, and internships. The U of S will provide in-kind contributions and direct investment. The program, which will be able to assist up to 50 Aboriginal students each year, began in the fall of 2005 with an initial enrolment of 33 students.

Student Matt Dunn speaks of his experiences at the launch of the Mathematics and Science Enrichment Program

In December 2005, CIC signed two new agreements with the University of Regina to provide educational and leadership opportunities for First Nations and Métis students at the U of R and First Nations University of Canada.

The **Aboriginal Student Recruitment and Retention Office** will promote the importance of a university education to First Nations and Métis youth. It will also help students succeed in university by developing their academic skills, and providing transition and career programming. **The Undergraduate Leadership Program: Connecting Through Cultural Leadership**, will provide Aboriginal and non-Aboriginal students with leadership training in an intercultural context. CIC will provide a total of $2.5 million to the two programs.

The Aboriginal Student Recruitment and Retention Office has already begun some activities, while preparatory work is underway for recruitment of students for the Undergraduate Leadership Program. Classes for that program will start in the fall 2006 semester.

Robert Hawkins, President of the University of Regina

Charles Pratt, Acting President, First Nations University of Canada

Also in December 2005, CIC signed an agreement with the University of Saskatchewan to enhance the programs and services offered by **The Aboriginal Student Achievement Program**. CIC's funding of $1 million will go toward a new student recruitment strategy as well as an expanded mentorship program, tutoring, life skills workshops, counseling, and expanded cultural activities. The goal is to improve the students' ability to achieve success in university.

Student Kacey Beaudry speaks of her experiences at the launch of the Aboriginal Student Achievement Program

Singing ceremony during the announcement at the University of Saskatchewan

Commitment to Greater Accountability

CIC and its subsidiary Crowns are committed to being more open and accountable to their owners – the people of Saskatchewan. The goal is to exceed all requirements and standards of the private sector for transparency and accountability. In 2005, the Crowns continued the following practices which were established in 2004:

- In April, CIC and its Crowns tabled their 2004 annual reports on different days. The purpose is to allow more public scrutiny of each report. Prior to the 2004 calendar year, all reports had been tabled on the same day. CIC and its Crowns also began the practice of holding technical briefings for Government and Opposition MLAs prior to the tabling of each major Crown's annual report.
- In June, CIC produced and mailed a 2004 Summary Annual Report for the Crown sector to all homes in Saskatchewan. The document included a report on the 2004 utility bundle and rebate program.
- CIC and its subsidiary Crowns again issued quarterly financial reports. Within 60 days of the end of each quarter, each Crown published its report on its web site. The annual report takes the place of the fourth quarter report for each Crown.
- CIC and its subsidiary Crowns continued to appear before the Crown and Central Agencies Committee of the Legislature, as requested. Ministers of each Crown appeared with their officials.
- CIC and its subsidiary Crowns continued to provide detailed information to the Committee that included names and amounts for all: employees who received more than $50,000 annually in salary and taxable benefits; suppliers who received more than $50,000 annually for goods and services; and grants, contributions, donations and sponsorships of more than $5,000.
- Independent third party reviews of proposed investments were conducted for:

SGI

- Alberta expansion; and
- Incremental investment in Coachman Insurance Company (Ontario).

SaskTel

- Investment in Navigata (BC);
- Hospitality Network (Canada);
- DirectWest expansion in Western Canada; and
- Incremental investment in Streamlogics (Ontario).

CIC

- Utility Bundle Survey Validation Review.

Consideration of Crown Investments Corp
2004 Annual Report and Related Documents
Crown and Central Agencies Committee
Playing

Tom Waller at the Crown and Central Agencies Committee

Consideration of Crown Investments Corp
2004 Annual Report and Related Documents
Crown and Central Agencies Committee
Playing

Blair Swystun at the Crown and Central Agencies Committee

Reporting of Significant Transactions

In 1997 CIC developed guidelines for reporting on significant transactions. The guidelines were approved by the CIC Board and the Legislature's Standing Committee on Crown Corporations, now the Standing Committee on Crown and Central Agencies.

A significant transaction is broadly defined as one that is material (value greater than one per cent of the Crown's assets), and outside the ordinary course of business. This includes the purchase or sale of a major asset or investment, assuming a major liability, or a major change in the terms and conditions of an existing investment. Crowns must also report transactions that do not fall under these conditions if they are judged to be of a sensitive nature or likely to be of interest to legislators and the public. Examples would include external investments or the creation of a subsidiary. Crowns are exempted from reporting details of transactions in some cases where there is a need for confidentiality regarding commercially sensitive and/or competitive information.

The policy requires that CIC, its Crowns, and their subsidiaries, report significant transactions to the Crown and Central Agencies Committee within 90 days of the transaction. Reports, which may be given verbally, must describe the objectives of the transaction, its financial implications, and the authority for the transaction. The following significant transactions were reported to the Committee in 2005:

Investment Saskatchewan Inc.

- Loan repayment from HARO Financial Corporation.

CIC/SGI

- Capital injection from CIC to SGI CANADA to fund Alberta expansion and improve capitalization of the Coachman Insurance Company (Ontario); and
- Injection of the above funds from SGI CANADA into SGI CANADA Insurance Services Ltd. (SCISL) and the capital injection into Coachman.

SOCO

- Transfer of Research Park assets and liabilities to the General Revenue Fund.

Investment Saskatchewan Inc.

- Purchase of outstanding CIC/Investment Saskatchewan guaranteed term debt of the Meadow Lake Pulp Limited Partnership.

SaskEnergy

- Investment equity injection into Heritage Gas (Nova Scotia).

Corporate Social Responsibility

CIC and its employees are committed to supporting charities and community organizations and events throughout Saskatchewan. CIC's donations and sponsorships policy gives priority to initiatives which benefit children or disadvantaged people, or which address educational, health, social, cultural, or recreational needs. CIC also supports events and organizations with ties to CIC's business interests, such as the youth and Aboriginal initiative, and professional associations or conferences in which its employees are involved.

CIC provided donations or sponsorships to 57 organizations and events in seven Saskatchewan communities in 2005, for a total of $176,000.

United Way is the largest annual fundraising event undertaken by CIC and its employees. During a designated week, employees contribute money by taking part in events at the office. They also donate through cash, cheques and the payroll deduction plan. The corporation then matches those contributions. In 2005 the corporation and its employees donated $9,402 to the Regina United Way and $165 to the Saskatoon United Way, for a total of $9,567.

For the past several years, CIC and its employees have participated in the Salvation Army's Adopt a Family program in Regina, to provide Christmas hampers to needy families. In 2005 CIC adopted five families with 20 children. Each family received a large hamper containing a supply of food, as well as clothing and presents for the children. Employee donations, matched by the corporation, contributed $1,442 to this cause.

CIC and its subsidiary Crowns and their employees were also very involved in events celebrating Saskatchewan's Centennial in 2005. In 2004, CIC, on behalf of the Crown sector, provided a special dividend of $5 million to the province's General Revenue Fund for Centennial projects and events.

The Queen and Prince Philip during the Lieutenant Governor's Centennial Gala, May 19, 2005

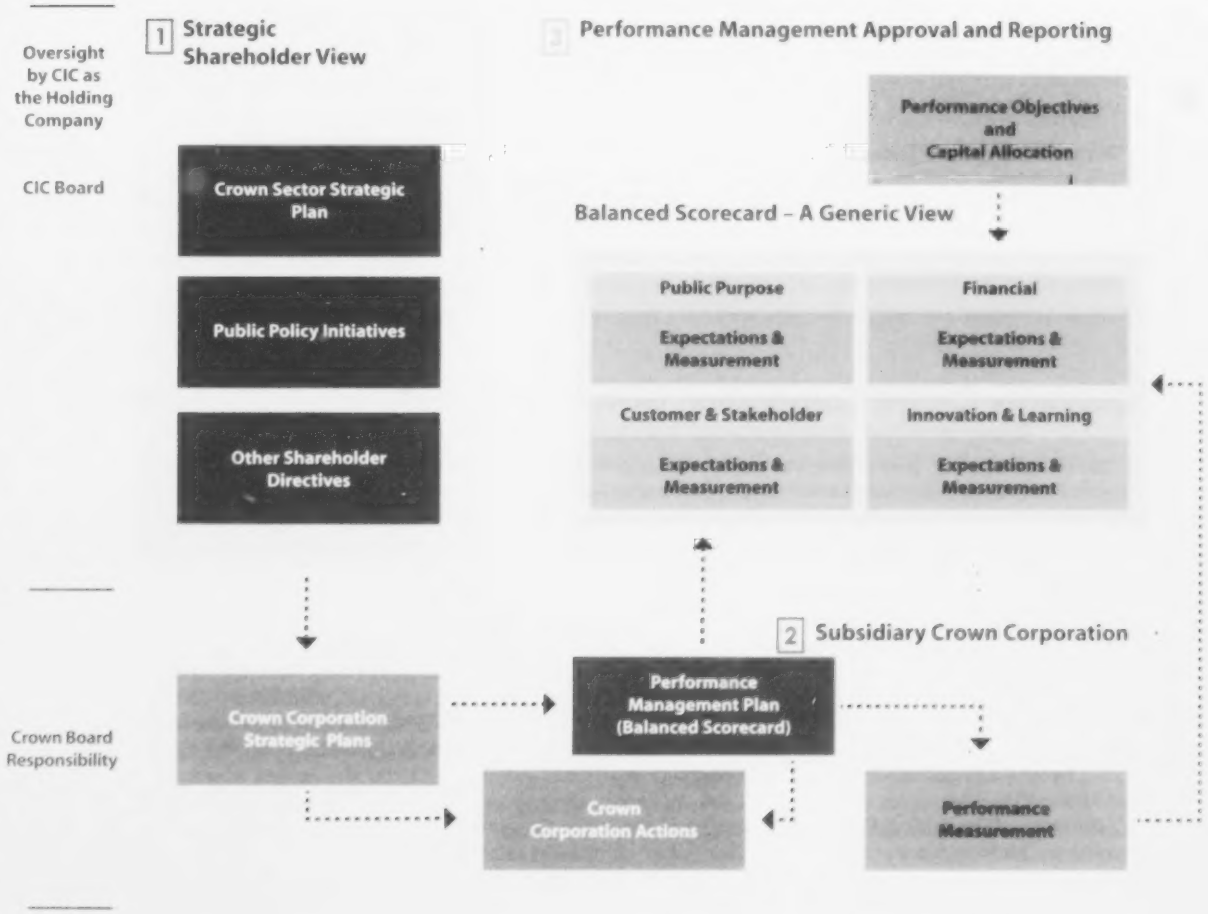
Photograph supplied by Saskatchewan Centennial website www.sask2005.ca

Crown Sector Governance

For the purposes of this report, governance describes the processes, structures and functions that CIC uses to direct and oversee the management of the Crown sector so it effectively fulfills its mandate.

CIC communicates shareholder (Government) direction to its subsidiary Crown corporations and monitors their performance against targets approved by the CIC Board. CIC does this by applying the Strategic and Performance Management Model.

Strategic and Performance Management Model



Strategic
Shareholder View
Performance Management Approval and Reporting
Performance Objectives
and
Capital Allocation
Balanced Scorecard – A Generic View
Public Purpose
Financial
Expectations &
Measurement
Expectations &
Measurement
Customer & Stakeholder
Innovation & Learning
Expectations &
Measurement
Expectations &
Measurement
Performance
Measurement

1 **Strategic Shareholder View**
The first stage in the process is the development of the Crown Sector Strategic Plan, led by CIC. The Crown Sector Plan articulates shareholder expectations and provides medium to long-term direction to the Crown sector. It also provides a guiding vision statement, mission and common business values, along with outlining the strategic planning linkages and processes between the holding company and the subsidiary Crown corporations.

2 **Subsidiary Crown Corporations**
The second stage is the development of the subsidiary Crown's Corporate Strategic Plan, demonstrating alignment to the shareholder direction contained within the Crown Sector Strategic Plan. Each subsidiary Crown then prepares a comprehensive Performance Management Plan. This Plan includes a Balanced Scorecard with measures and targets that link to the broad strategic directions established in the Crown Sector Strategic Plan and the Crown's Corporate Strategic Plan.

The Crown corporations construct their balanced scorecards around four generic perspectives: Public Purpose, Customer & Stakeholder, Innovation & Learning, and Financial. The Crowns may customize their Balanced Scorecards according to their unique needs and circumstances, as long as they reflect the general intent of those four core perspectives.

3 **Performance Management Approval and Reporting**
The third stage is approval of each subsidiary Crown's Performance Management Plan by the holding company. Every year, the CIC Board reviews and approves each Crown's Performance Management Plan for the upcoming year. In addition, these plans are monitored throughout the year, with quarterly reviews and reports submitted to the CIC Board. The CIC Board also determines the capital allocation among Crown corporations for reinvestment, debt reduction and dividends.

Subsidiary Crown Corporation Governance Initiatives

CIC has designed a comprehensive framework aimed at strengthening the governance, performance and accountability of its subsidiary Crown corporations and assisting the boards of directors to discharge their responsibilities for overseeing and directing the management of the Crowns. CIC is committed to implementing governance, reporting and disclosure practices consistent with publicly-traded companies where such practices can reasonably be applied in the public sector environment.

Accountability and Transparency

In June 2005, the Canadian Securities Administrators (CSA) national policy on corporate governance and disclosure guidelines came into effect for annual reports of publicly-traded companies. The CSA guidelines supersede the Toronto Stock Exchange Corporate Governance Guidelines, which CIC's subsidiary Crown boards have used to benchmark their governance practices since 2002. The Crowns have begun to benchmark their practices against the best practices in the CSA guidelines. However, as 2005 is a transition year, the Crowns may not yet be fully compliant with the CSA guidelines.

A Committee of the Audit & Finance Committee Chairs of the Crown boards has been established to monitor governance and regulatory developments for public companies related to audit committee functions, auditor oversight and financial reporting. The Committee continued to meet in 2005, and discussed such issues as: the role and responsibilities of audit committees; whistle blowing policies and procedures; internal audit functions and reporting relationships; and the internal control framework and CEO/CFO certification. While not required to comply with public company regulations, CIC and the Committee are reviewing them with a view to adopting a consistent sector-wide response where beneficial and cost-effective.

CIC has developed a *Directors' Code of Conduct* (the Code), to assist Crown boards to effectively fulfill their statutory and fiduciary obligations, to address conflicts of interest and to maintain high ethical standards. The guidelines in the Code are supplementary to any statutory or common law duties and obligations, or other standards of conduct applicable to the directors. Each board is required to designate an ethics advisor to administer, monitor and enforce compliance with the Code, and the advisor reports compliance to the board on an annual basis. Each Crown corporation has a code of conduct applicable to staff that contains similar provisions.

In June 2005, board chairs were invited to attend the annual Crown Executive Conference. A topic of particular interest was a panel discussion of corporate ethics from the mail room to the boardroom. The Chair of the SGI Board participated on the panel and addressed the role of a board in setting the tone at the top and assessing compliance with corporate ethics programs.

Board Renewal

An element essential for a board to function effectively is having directors who possess the right mix of backgrounds and skill sets. CIC's *Crown Board of Directors Appointment Policy* (the Policy) establishes certain principles and steps aimed at promoting the appointment to Crown boards of individuals with the identified expertise to add value to board decisions. The Policy recognizes the unique insight of the Crown boards into the required skills for directors and acknowledges the board's role in the appointment and renewal process. Crown boards develop a skills profile specific to their board that sets out the generic attributes of the desired director complement and identifies any gaps in the existing composition of the board. As vacancies arise, the boards use the skills profile to recruit and recommend to the shareholder qualified candidates to fill the vacancies. The shareholder retains ultimate authority to make final appointment decisions, but does so in the context of the required skills identified by the board, wherever possible, and after carefully considering any recommendations from the board.

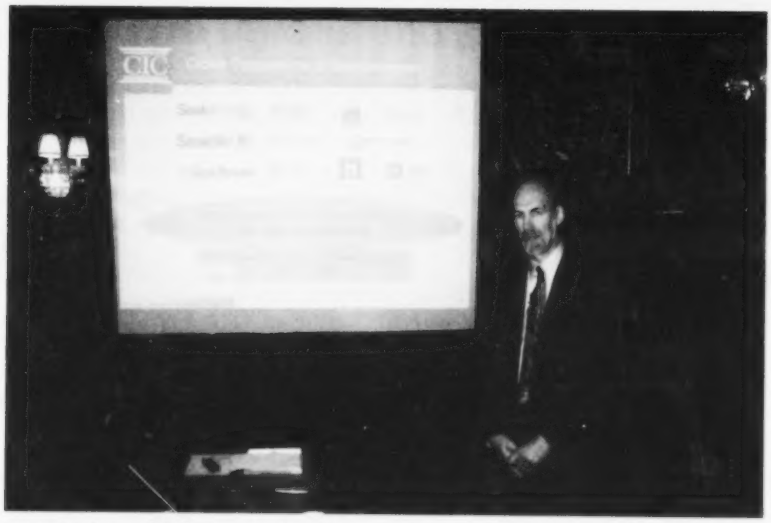
Board Performance and Assessment

In consultation with the Crown boards, CIC has developed tools to evaluate and enhance the overall performance of the board, chairs, committees and individual directors. Crown boards conduct performance evaluations on a two-year cycle, with comprehensive board and board chair evaluations being conducted one year, and director peer and committee evaluations being conducted the following year. Summaries of the aggregate results of the evaluation processes are shared with CIC, with particular reference to any training issues or skill gaps the boards have identified that CIC may be able to address. Individual boards are responsible for developing an action plan to address, and track progress on, areas noted for improvement. In 2005, the boards assessed the performance of the board and board chair.

Director Development

CIC has been recognized for its commitment to providing professional development opportunities to the Crown boards to assist them to perform effectively. The program, which has been in place since 1998, includes annual training sessions, a pre-session lecture series featuring experts speaking on a related topic, and the quarterly distribution of reading material on topical governance issues. In addition, corporate management of each Crown provides newly appointed directors with an orientation to the industry and the corporation.

In 2005, CIC sponsored two training sessions and two pre-session lectures. Topics included: corporate risk management; new national and international governance and disclosure guidelines; and strategies to create value from effective board-management relations.



Peter Jackson, facilitator of the risk management training session held June 2005

Conference Board of Canada Governance Index Rating

In 2005, CIC engaged the Conference Board of Canada to compare the current governance practices used by CIC Crown boards to external benchmarks in the public and private sectors. According to Conference Board research, Canada leads the world in governance practices, and the governance practices of CIC Crown boards score in the top quartile when compared to other public and private sector boards in Canada. The subsidiary Crown boards achieved a Governance Index score of 17 out of a possible 20. That surpasses the average score of 14.7 achieved by other boards in the public and private sector included in the Conference Board's database for 2005.

Communicating Shareholder Expectations

The timely, open and frank exchange of information between the shareholder and the subsidiary Crown boards is critical to good corporate governance. One mechanism used to meet this objective is a quarterly meeting between the chairs of the Crown boards and senior CIC officials to discuss matters of mutual interest. In addition, CIC provided an opportunity for the chairs to meet informally with the Minister of CIC and other Ministers Responsible for the Crown corporations in December. To maintain the flow of critical information between meetings, the Crown board chairs continued to submit regular reports to the CIC Board highlighting major Crown board activities and corporate initiatives, as well as updates on significant risks to the Corporation.

CIC's 2005 Performance Reporting

CIC, like its subsidiaries, follows the Strategic and Performance Management Model outlined on page 37. The Crown Sector Plan shapes CIC's internal strategic and performance plans and establishes the basis for quarterly and annual performance measurement and reporting.

CIC's Balanced Scorecard

CIC uses a widely accepted performance management system known as the Balanced Scorecard. This system is used to establish, communicate and report on key corporate performance targets in a standardized and concise format. CIC provides its Board with quarterly progress reports on its performance relative to targets. The CIC Balanced Scorecard contains four perspectives:

- **Customer and Stakeholder**
- **Leadership and Financial**
- **Public Purpose**
- **Innovation and Growth**

The reporting on each of the four perspectives will contain the following information:

Description	Definition or focus of the perspective.
Alignment	As indicated in the Strategic and Performance Management Model on page 37, all Crown corporations, including CIC, must align their strategic corporate plans to the Crown Sector Strategic Plan, as well as other strategic priorities established by the shareholder.
2005 Scorecard	The Scorecard for the perspective, which includes the strategic objectives, performance measures, 2005 targets, 2005 results, a coloured performance indicator as well as the overall assessment of performance in that perspective. **Scorecard Performance Indicators:** ● Exceeds target ● Achieved, or generally on target ● Below, or slightly off target ● Missed, or well below target ● Deferred, or not measured for this period
Variance Analysis	For results that did not meet the target for 2005, or any that were deferred, an analysis or narrative will address the circumstances surrounding that deficiency.
Significant Accomplishments	A more detailed description of those results significantly exceeding expectations, or key results from initiatives and programs that supported the perspective.
Definitions, Methodology and Calculations	An explanation of definitions, methodology or calculations included in the measure that would not be commonly known to an external audience.

Customer and Stakeholder Perspective

Description

This perspective challenges CIC to maintain excellent relationships with its stakeholders, particularly with CIC's Board of Directors, and to understand and assess emerging issues by providing professional and timely advice and guidance.

Alignment

The following illustrates the alignment of CIC's strategic goal with that of the Crown Sector Strategic Plan.

Crown Sector Goal

Exceed customer expectations for products and services.

CIC Goal

Support and guidance to the stakeholders.

Performance Report - 2005 Scorecard

Corporate Strategic Objectives	2005 Performance Measure	2005 Performance Target	Performance Result	Performance Rating
1. Accountability and public reporting of the Crown sector	On time preparation of public reports			
	Annual Report	90 days	On time	Achieved
	Public quarterly reports	60 days	On time	Achieved
	Summary Annual Report	June 2005	Mailed to all Saskatchewan households in June	Achieved
	Conference Board of Canada review of CIC's annual report against best reporting and disclosure practices	To achieve a B+ rating	Based on the 2004 reporting CIC received an 'A' rating	Exceeds
2. Development, guidance and support to CIC Board, Crown Boards and Crown Executives	External stakeholder measurement based on an index out of 10			
	CIC Board	Benchmarks under revision	*(Variance 1a)*	N/A
	Crown Boards	Not conducted in 2005	*(Variance 1b)*	N/A
	Crown Executives	Benchmarks under revision	*(Variance 1c)*	N/A
3. Clearly articulate shareholder direction to the Crown sector	External stakeholder measurement based on an index out of 10			
	CIC Board	Benchmarks under revision	*(Variance 2a)*	N/A
	Crown Executives	Benchmarks under revision	*(Variance 2b)*	N/A
4. Capital Pension & Benefits	Client base retention	>95%	100%	Exceeds
	Rolling 4 year return on contributory funds (Diversified & Pre-Retirement)	Achieve or exceed benchmark		
	• Diversified Fund	6.6%	7.9%	Exceeds
	• Pre-Retirement Fund	2.6%	2.9%	Exceeds
			Overall Performance Assessment	Achieved

Variance Analysis

Variance 1a,1c, 2a, 2b	Due to corporate reorganization that extended into 2005, the performance measure required adjustment to reflect the realignment of corporate responsibilities. As such, the revised measurement tool necessitated the establishment of new benchmarks to set future performance measurement targets, so there is no measurement for 2005.
Variance 1b	Measurement tool is under revision as to form and content.

Significant Accomplishments

Subsidiary Crown Boards	CIC worked with subsidiary Crown Boards to adopt, where relevant, the Canadian Securities Administrators (CSA) new governance guidelines. As 2005 is a transition year, the Crown Boards are in the process of ensuring their practices meet or exceed the CSA guidelines. Most Crown Boards will benchmark their governance practices against these guidelines in the Crown corporations' 2005 Annual Reports.

Definitions, Methodology and Calculations

Public Reports	According to "The Crown Corporations Act, 1993" CIC's Annual report must be laid before the Legislative Assembly by April 30th each year.
Conference Board of Canada Review	On a two year cycle, CIC engages the Conference Board of Canada to conduct a review of reporting and disclosure of all subsidiary Crown corporations, including CIC. The Conference Board reviews the annual reports to benchmark reporting and disclosure practices against the best and leading practices in Canada.
Rolling 4 Year Return	Calculated as the 4 year compounded rate of return for the investment funds at a given point in time.
Contributory Fund (Diversified and Pre-retirement)	This Fund receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions for members not yet receiving pension benefits.

Leadership and Financial Perspective

Description

This perspective highlights CIC's value in leading Saskatchewan's Crown sector through its articulation of a business vision and strategy. CIC does this by establishing financial frameworks and performance management objectives and by providing corporate governance guidance and support to the Crowns and their Boards of Directors.

Alignment

The following illustrates the alignment of CIC's strategic goal with that of the Crown Sector Strategic Plan.

Crown Sector Goal

Strive to balance public accountability with each Crown corporation's need to operate in a commercially competitive environment.

Provide a return to the people of Saskatchewan that justifies the shareholder risk and investment.

CIC Goal

Leadership to subsidiary Crowns.

Performance Report - 2005 Scorecard

Corporate Strategic Objectives	2005 Performance Measure	2005 Performance Target	Performance Result	Performance Rating
1. Effective governance and performance management of Crown subsidiaries	External stakeholder measurement based on an index out of 10	Benchmarks under revision	*(Variance 3a)*	○ N/A
	Crown subsidiary priority BSC targets met	Develop index in 2005	Deferred until 2006 *(Variance 3b)*	○ N/A
	Governance rating by the Conference Board of Canada	Top Quartile (25%)	Achieved top quartile and surpassed previous rating	● Exceeds
2. Appropriate return to the General Revenue Fund	Dividends to the General Revenue Fund	$175 million	$221 million	● Exceeds
	Shareholder cash flow (ROE)	14%	14.3%	◐ Achieved
3. Proactive leadership on Crown sector issues	External stakeholder measurement based on an index out of 10	Benchmark under revision	*(Variance 4a)*	○ N/A
			Overall Performance Assessment	◐ Achieved

Variance Analysis

Variance 3a, 4a	Due to corporate reorganization that extended into 2005, the performance measure required adjustment to reflect the realignment of corporate responsibilities. The revised measurement tool necessitated the establishment of new benchmarks to set future performance measurement targets, so there is no measurement for 2005.
Variance 3b	Development of this new measure was deferred pending a sector wide review of the performance management system and balanced scorecards.

Significant Accomplishments

Subsidiary Crown Boards	The recent review by the Conference Board of Canada showed the subsidiary Crown Boards achieved a Governance Index score of 17 out of 20, an improvement from the 2001 rating of 16.75. This compares favourably to the average score (14.7) achieved by other boards in the public and private sector included in the Conference Board's database.
Financial	CIC posted strong results in 2005. Earnings of $248 million allowed CIC to declare a dividend to the GRF of $221 million. This compares favourably to its dividend target of $175 million which was based on an earnings target of $210 million. The increase in cash available for dividend payment is primarily due to CIC not requiring the funds allocated for a utility bundle rebate in 2005. The Saskatchewan Energy Share helped to ensure that the Government met its commitment to have the lowest-cost residential utility bundle in Canada for 2005, and was funded through the General Revenue Fund.

Definitions, Methodology and Calculations

Conference Board of Canada Review (Governance Rating)	Every 2 to 3 years, CIC engages the Conference Board of Canada to rate the corporate governance practices of CIC's subsidiary Crown boards against a database of the practices of comparator boards in the public and private sectors.
Dividends	Cash payments made by a firm to its owners, usually as a distribution of profits or excess cash in the firm.
General Revenue Fund (GRF)	The GRF is a special purpose fund that the Government uses to pay for most of the programs it provides. Transfers to and from other government organizations typically flow through the GRF.
Shareholder Cash Flow (ROE)	This is a measure of profitability used to evaluate the Province's investment in CIC. It is based on the cash return (e.g., dividend) provided to the owner and is calculated as dividends paid to the GRF divided by the Province's equity in CIC.

Public Purpose Perspective

Description

This perspective highlights those initiatives undertaken by CIC to support the Government's public purpose objectives for the Crown sector, such as low utility costs, youth employment and a green and prosperous economy.

Alignment

The following illustrates the alignment of CIC's strategic goal with that of the Crown Sector Strategic Plan.

Crown Sector Goal	CIC Goal
Contribute to social, economic and environmental public policies.	Advance the Government's sector wide priorities, policies and initiatives.

Performance Report - 2005 Scorecard

Corporate Strategic Objectives	2005 Performance Measure	2005 Performance Target	Performance Result	Performance Rating
1. Make Saskatchewan the most affordable place in Canada	Annual utility bundle cost of heating, electricity, telephone and auto insurance	Lowest cost in Canada	Lowest (due in part to the Saskatchewan Energy Share)	Achieved
2. Building the future here	Youth and Aboriginal opportunities			
	• Co-op program	> 185 students	181 students	Achieved
	• Intern program	85 interns	88 interns	Exceeds
	• Summer hire program	> 450 student Hires	49 student hires *(Variance 5a)*	Below
	• Aboriginal Bursary Program	59 bursaries (36 new)	49 new bursaries	Achieved
	• Math & Science Program	50 students	33 students *(Variance 5b)*	Below
3. Support a green and prosperous economy	Strategic investments in support of public policy	Establish Entrepreneurial Foundation	Received CIC Board approval in July 2005	Achieved
	Lead commercial P3	One major project	Transferred to Highways and Transportation *(Variance 5c)*	N/A
	Crown strategies in support of public policy	Alignment in Crown plans	100% - all corporate strategic and performance management plans aligned	Achieved
			Overall Performance Assessment	Achieved

Variance Analysis

Variance 5a	With the addition of the Gradworks program, the capacity in terms of both space and workload for summer hires was reduced, resulting in lower placement of summer hires than anticipated.
Variance 5b	Demand for the Math and Science program was overestimated for the initial year of the program.
Variance 5c	CIC partnered with Saskatchewan Highways and Transportation to examine the feasibility of building three all-weather roads in the Athabasca Basin. The project was transferred to Saskatchewan Highways and Transportation when the Government determined that a broader northern economic development strategy was needed.

Significant Accomplishments

Saskatchewan Energy Share	Saskatchewan Energy Share was implemented in November to help Saskatchewan residents reduce heating costs during the winter months, promote conservation and share the benefits of increased revenues from oil and natural gas. This helped to ensure that the Government met its commitment to have the lowest-cost residential utility bundle in Canada for 2005.
Entrepreneurial Foundation	The Entrepreneurial Foundation of Saskatchewan was established to assist with the development and growth of small businesses in the province.
University of Saskatchewan	CIC partnered with the University of Saskatchewan to establish The Mathematics and Science Enrichment Program to help First Nations and Métis students prepare for careers in the maths and sciences. CIC partnered with the University of Saskatchewan to support the Aboriginal Student Achievement Program including a new recruitment strategy that will provide ongoing support for students during the initial transition process and throughout university.
Gradworks	The Gradworks internship program provided paid internship opportunities to 88 post-secondary graduates in 2005.
University of Regina	CIC partnered with the University of Regina and the First Nations University of Canada to implement the Student Success Centre to increase enrolment and retention of Aboriginal students, the Undergraduate Intercultural Leadership Program to prepare Aboriginal and non-Aboriginal students for leadership positions in an inter-cultural context.

Definitions, Methodology and Calculations

Utility Bundle Commitment	In 2003, Premier Calvert committed to providing Saskatchewan residents with the lowest-cost residential utility bundle in Canada. The utility bundle includes automobile insurance, basic telephone service, natural gas and electricity. CIC is charged with oversight of the utility bundle commitment and tracks and monitors utility rates across Canada to ensure the commitment is met.
Co-op Program	Co-operative Education programs incorporate productive work experience as part of the learning process for post-secondary students. Students typically complete four, four-month work terms to receive the Co-operative Education designation on their degrees. The Crowns hire a number of co-op students annually, primarily from the University of Regina.
Intern Program (Gradworks)	Gradworks provides recent post-secondary graduates with challenging, career focused internship positions in the Crown sector, to help provide career opportunities and retain youth in the province.
Summer Hires	The Crown sector provides summer employment opportunities for post-secondary students.
Aboriginal Bursary Program	The program will provide up to $2 million in bursaries for First Nations and Métis students at the University of Regina and First Nations University of Canada.
Math and Science Program	The program helps First Nations and Métis students prepare for further study or careers in maths and sciences.
Public Private Partnerships	Structural arrangements whereby goods and services traditionally delivered by the public sector are in whole or in part delivered by the private sector with risks allocated to the party best able to bear them.

Innovation and Growth Perspective

Description

This perspective focuses on developing internal employee and organizational strengths (including creativity, application of skills and expertise, and continuous improvement), information technology and decision-making capabilities.

Alignment

The following illustrates the alignment of CIC's strategic goal with that of the Crown Sector Strategic Plan.

Crown Sector Goal

Align human resources processes and practices with emerging sector wide issues that support achievement of individual Crown corporation strategies.

CIC Goal

Position the CIC team for corporate and personal success.

Performance Report - 2005 Scorecard

Corporate Strategic Objectives	2005 Performance Measure	2005 Performance Target	Performance Result	Performance Rating
1. CIC has a well trained, healthy, productive and collaborative workforce	Employee Satisfaction Survey	> 77%	82%	Exceeds
	Investment in employee training - % payroll	3%	3%	Achieved
	Average casual sick days/ year (excludes long term illness)	<4 days	4.17 days	Achieved
2. Aboriginal and youth opportunities	Opportunities within CIC • Co-op program • Gradworks	 4 students 6 interns	 4 students 6 interns	 Achieved Achieved
3. CIC promotes a diverse workforce	Staff level in target groups • Women (Exec) • Women (MGT 2) • Women (MGT 1) • Persons w/disabilities • Visible minorities • Aboriginal • Youth	 50% 41% 69% 6.8% 3.0% 7.6% 4.0%	 0.0% *(Variance 6a)* 45.0% 73.3% 7.2% 1.4% 10.1% 6.0%	 Below Achieved Exceeds Exceeds Below Exceeds Exceeds
	Ratio of CIC new hires in target groups/total hires	1:3	1:4.6 *(Variance 6b)*	Below
4. Support a "green" environment	New equipment meets Energy Star standards	>80%	100%	Exceeds
	Support the development of wind power through the purchase of "green power" through our SaskPower subsidiary	10,000 kw/month	10,000 kw/month	Achieved
			Overall Performance Assessment	Achieved

Variance Analysis

Variance 6a	Women in Executive is defined by job classification. There are no women serving as President, or in a Vice President capacity. However, the CIC Executive Committee includes additional members other than those designated as Vice Presidents. The committee has a representation level of 40% for women. For 2006, CIC has rolled up the targets categories for women to reflect CIC's small staff size of about 70.
Variance 6b	Hires in diversity groups did not meet target. In review, the number of self-declared candidates in the applicant pool was lower than anticipated.

Significant Accomplishments

Co-op Program	CIC provided employment opportunities for four co-op students and six interns in 2005.
Employee Survey	CIC's Employee Survey results indicated an 82% overall satisfaction rating.

Definitions, Methodology and Calculations

Employee Satisfaction Survey	CIC conducts periodic employee surveys to determine employee satisfaction. The survey is administered on-line by an external service provider to ensure anonymity, and results are used to help determine where changes are needed in internal policies and practices.
Investment in Employee Training	Training and development is important to ensure the attraction and retention of a highly skilled workforce. CIC allocates 3% of each employee's annual salary for training and development purposes, which is above the national average according to the Conference Board of Canada's, "Learning and Development Outlook."
ENERGY STAR	ENERGY STAR is an international symbol of energy efficiency that helps consumers quickly and easily identify the most energy efficient products available to help them save energy, money and protect the environment. Manufacturers or retailers place the ENERGY STAR logo on the models that meet or exceed the ENERGY STAR energy-efficiency criteria.
GreenPower	GreenPower is a term used by SaskPower to identify EcoLogo certified renewable energy through the GreenPower Program. This is an additional cost over the regulated electricity rate to cover the higher cost of generation.

Each year the CIC Board approves the corporation's Performance Management Plan. This plan outlines the Balanced Scorecard performance targets for the ensuing year as well as detailed initiatives, programs and actions to assist the corporation in achieving those targets. The following provides examples of corporate priorities, the 2006 Balanced Scorecard and some core supporting initiatives.

Customer and Stakeholder Perspective

Corporate Priorities

Distill and communicate shareholder direction to the Crown Sector.

Provide support and liaison for the Saskatchewan Rate Review Panel.

Promote a high level of Crown sector accountability and transparency.

Advise and participate in the development of provincial strategies, including the Energy Strategy and the Aboriginal Business Strategy.

Manage CIC's NewGrade investment to maximize shareholder value.

2006 Scorecard

Corporate Strategic Objectives	2006 Performance Measure	2005 Performance Results	2006 Performance Target
1. Accountability and public reporting of the Crown sector	On time preparation of public reports		
	Annual Report	90 days	90 Days
	Public quarterly reports	60 days	60 Days
	Summary Annual Report	June 2005	June 2006
	Conference Board of Canada review of CIC's reporting and disclosure against best practices	CIC received an 'A' Rating	Review on 2 year cycle, next review in 2007
2. Development, guidance and support to CIC Board, Crown Boards and Crown Executives	External stakeholder measurement based on an index out of 10		
	CIC Board	Benchmarks revised	7.0 – 8.0
	Crown Boards	Not conducted in 2005	7.0 – 8.0
	Crown Executives	Benchmarks revised	6.4 – 6.6
3. Clearly articulate shareholder direction to the Crown sector	External stakeholder measurement based on an index out of 10		
	CIC Board	Benchmarks revised	7.3 – 8.3
	Crown Executives	Benchmarks revised	6.1 – 6.5
4. Establish government, institutional and private sector relationships to maximize strategic economic impact	External measure on client perceptions	New for 2006	Benchmarks to be established
5. Capital Pension & Benefits	Rolling 4 year return on contributory funds (Diversified & Pre-Retirement)	Exceeded	Achieve or exceed the balanced fund benchmark
	Performance index for Plan Administration and Pension Board	New for 2006	To be established in 2006

- Evaluate reporting implications for CIC and the Crown sector of new requirements relating to CEO / CFO financial statement certification.
- Develop the capacity to provide internal audit services for CIC and small subsidiary Crowns.
- Facilitate business and industry connections to the research community through the establishment of an industry led CEO Innovation Council.
- In terms of the quality and transparency of annual reports, CIC and the Audit and Finance Committee Chairs of the Crown Boards will continue their review of best practices in auditing and financial reporting with a view to adapting the public requirements to the Crown sector.

Leadership and Financial Perspective

Corporate Priorities

Lead and facilitate the delivery of a CIC/Crown Innovation Agenda that provides a focus for the Crown sector to advance the province's innovation strategy.

Continue to promote "best practices" in governance for Crown boards and facilitate specialized Board training and identify diversity and youth candidates for Board vacancies.

Determine and monitor capital allocation and dividend targets in the Crown sector.

2006 Scorecard

Corporate Strategic Objectives	2006 Performance Measure	2005 Performance Results	2006 Performance Target
1. Effective governance and performance management of Crown subsidiaries	External stakeholder measurement based on an index out of 10	Benchmarks revised	7.2 – 8.0
	Crown subsidiary priority targets achieved	Deferred to 2006	Targets to be identified in the review process
	Governance rating by the Conference Board of Canada	Top Quartile (25%)	Review on 2-3 year cycle, next review in 2008
2. Appropriate return to the General Revenue Fund	Dividends to the General Revenue Fund	$221 million	$160 million
	Shareholder cash flow (ROE)	14.3%	11%
3. Proactive leadership on Crown sector issues	External shareholder measurement based on an index out of 10	Benchmark revised	7.0 – 8.0

- Ensure capital requirements in the Crown sector are balanced with competing needs.
- Crown sector review of Crown corporation access on First Nations Reserves.
- Develop initiatives on labour force requirements in trades and technology.
- Develop strategy to promote and support women in senior management and executive positions.
- Assessment of opportunities to enhance the Crown sector performance management system.

Public Purpose Perspective

Corporate Priorities

Track, monitor and take necessary measures for the Government to meet the lowest-cost utility bundle commitment.

Collaborate and partner with educational institutions to develop the labour supply.

Identify and initiate strategic economic development opportunities where coordination with Executive Government, line departments, commercial Crown corporations, external agencies and/or the private sector is required.

Communicate, liaise, and coordinate with Crowns, Government departments, and Aboriginal agencies to foster greater Aboriginal participation in the economy.

2006 Scorecard

Corporate Strategic Objectives	2006 Performance Measure	2005 Performance Results	2006 Performance Target
1. Make Saskatchewan the most affordable place in Canada	Annual utility bundle cost of heating, electricity, telephone and auto insurance	Lowest cost in Canada	Lowest cost in Canada
2. Building the future here	Youth and Aboriginal opportunities		
	• Co-op program	181 students	185 students
	• Intern program	88 internss	75 interns (25 rural)
	• Summer hire program	321 student hires	300 student hires
	• Aboriginal Bursary Program	49 new bursaries	59 bursaries
	• Math & Science Program	33 students	50 students
3. Support a green and prosperous economy	Strategic Investments in support of public policy	Entrepreneurial Foundation launched	• Establish Innovation Acceleration initiative • Establish First Nations and Métis Fund
	Crown strategies in support of public policy	100% alignment in all Crown plans	100%

- Monitor the impact of utility rate changes in relation to the lowest-cost utility bundle commitment.
- Continued enhancement of the youth and Aboriginal programs, such as expansion of the Gradworks program and partnerships with youth and educational institutions.
- Provide advice and guidance to the Entrepreneurial Foundation management regarding annual strategic objectives and performance measures.
- Research, develop and co-ordinate the launch of an Aboriginal Business Directory and Aboriginal procurement committee.
- Operationalize the Entrepreneurial Fund.

Innovation and Growth Perspective

Corporate Priorities

Crown sector resource for strategic advice, education and awareness on Aboriginal issues.

Build on human resource initiatives and programs to: promote recognition; improve internal communication; adopt leading edge tools for employee performance evaluation/planning/ development, and manage priority issues as identified in the employee survey.

2006 Scorecard

Corporate Strategic Objectives	2006 Performance Measure	2005 Performance Results	2006 Performance Target
1. CIC has a well trained, healthy, productive and collaborative workforce	Employee Satisfaction Survey	82%	Develop action plan to respond to issues raised in survey
	Investment in employee training - % payroll	3%	3%
	Average casual sick days/year (excludes long term illness)	4.17 days	< 4 days
2. Aboriginal and youth opportunities	Opportunities within CIC • Co-op program • Gradworks	 4 students 6 interns	 4 students > 6 interns
3. CIC promotes a diverse workforce	Staff level in target groups • Women in management • Persons w/disabilities • Visible minorities • Aboriginal • Youth	 N/A categories changed 7.2% 1.4% 10.1% 6.0%	 45.6% 8.1% 2.8% 12.4% 6.0%
	Ratio of CIC new hires in target groups/total hires	1:4.6	1:3
4. Support a "green" environment	New equipment meets Energy Star standards	100%	> 95% of purchases
	Support the development of wind power through the purchase of "green power" through our SaskPower subsidiary	10,000 kw/month	10,000 kw/month

- Finalize implementation of new Human Resource Management Software, including employee training.
- Develop and communicate CIC wellness program for 2006.
- Continue to seek opportunities for youth at CIC.
- CIC promotes a diverse workforce in its culture and employment opportunities.

Introduction to CIC's Financial Reporting

Preface

The purpose of the following discussion is to provide users of CIC's financial statements with an overview of the Corporation's financial performance and the various measures CIC uses to evaluate its financial health. This narrative on CIC's 2005 financial results should be read in conjunction with the audited consolidated and non-consolidated financial statements.

Readers are encouraged to learn about CIC's consolidated and non-consolidated financial statements and the key differences between them. Producing two different views of CIC's operations and results is a cornerstone of its commitment to accountability and transparency. Explanations of the differing purposes of these statements are provided in the next pages.

In addition to information on CIC's 2005 results, discussions have been expanded to provide more detailed information regarding its performance relative to its business plan and what this means for the Crown sector in the future.

Forward-Looking Information

Throughout the Annual Report, and particularly in the following discussion, are forward-looking statements. These statements can be recognized by terms such as "outlook," "expect," "anticipate," "project," "continue," or other expressions that relate to estimations or future events. By their nature, forward-looking statements require us to make assumptions based on current information, management experience and historical performance. Forward-looking information is subject to risks and uncertainties, and as a result, forward-looking statements are not a guarantee about the future performance of CIC and its subsidiary Crown corporations.

Readers are urged to not place undue reliance on forward-looking statements as a number of factors could cause actual results to differ materially from estimates, predictions, and assumptions. These risks, uncertainties and other factors that can influence performance include, but are not limited to: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance and competition in the Crown sector, and regulatory environment. Given these uncertainties, assumptions contained in the forward-looking statements may or may not occur.

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Understanding CIC's Financial Statements

CIC prepares two sets of financial statements, its consolidated financial statements and non-consolidated financial statements.

CIC Consolidated Financial Statements

- What are the financial results for the CIC Crown sector as a whole?

These statements show CIC's results consolidated with the results of its subsidiary Crown corporations. The financial statements are prepared in accordance with Generally Accepted Accounting Principles in Canada (GAAP) and include:

- Financial results of subsidiary Crown corporations (SaskPower, SaskTel, SaskEnergy, SGI, ISC, Investment Saskatchewan, STC, SaskWater, SOCO, SGGF MC, and SDFC);
- Financial results for CIC's wholly-owned subsidiary, Gradworks Inc., and CIC's share of NewGrade;
- Dividends paid by CIC to the General Revenue Fund (GRF); and,
- CIC's operating costs, public policy expenditures and interest income on cash balances.

Consolidated earnings represent the total earnings in the Crown sector, taking into consideration the elimination of all inter-entity transactions (i.e., revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC).

CIC Non-Consolidated Financial Statements

- How is CIC performing as a holding company?
- How do Crown dividends compare to CIC's dividend to the GRF?

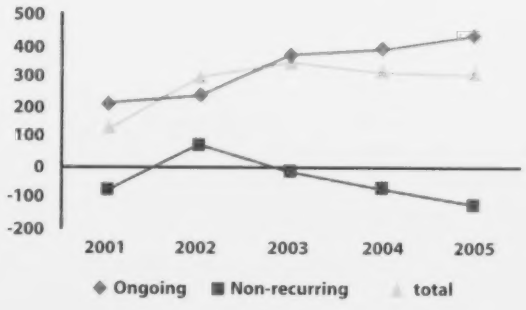
Non-consolidated earnings represent CIC's earnings as a shareholder of the Crown sector. These statements assist CIC in determining its capacity to pay dividends to the GRF. The non-consolidated statements have not been and are not intended to be prepared in accordance with GAAP. These statements are intended to isolate the corporation's cash-flow, capital support for certain subsidiary Crown corporations, and public policy expenditures. These financial statements include:

- Dividends from subsidiary Crown corporations;
- Dividends from NewGrade;
- Dividends paid by CIC to the GRF;
- Grants by CIC to subsidiaries; and,
- CIC's operating costs, public policy expenditures and interest income on cash balances.

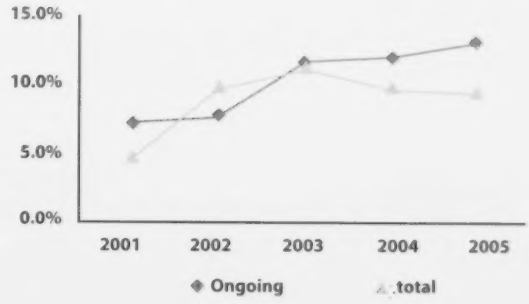
CIC'S 2005 Financial Highlights

$ Millions	2005	2004	2003	2002	2001
Consolidated					
Consolidated Earnings	306.7	312.1	345.4	294.1	132.2
Total Consolidated Assets	9,248.2	.8,139.9	7,874.5	7,998.1	8,160.2
Consolidated Debt	3,608.5	3,315.7	3,358.4	3,523.5	3,621.9
Dividend to the GRF	221.0	268.0	200.0	300.0	200.0
Non-Consolidated					
Dividend Revenue	299.9	347.6	293.2	157.1	119.2
Non-Consolidated Earnings	248.1	275.0	274.3	262.8	110.2
Ratios					
Consolidated Return on Equity	9.2%	9.6%	11.0%	9.6%	4.3%
Non-Consolidated Cash Return on Equity	14.3%	17.6%	13.5%	19.3%	11.7%

Consolidated Earnings



Consolidated Return on Equity



Non-Consolidated Earnings and Dividends to the GRF

CIC posted strong results in 2005. Earnings of $248.1 million allowed CIC to declare a dividend to the GRF of $221.0 million. This compares favourably to its dividend target of $175.0 million which was based on an earnings target of $209.9 million. The increase in cash available for dividend payment is primarily due to the ability of the Crown sector to meet the government's commitment to the lowest cost utility bundle in Canada without any rebate payments from CIC.

Achieving Corporate Priorities in 2005

A Balanced Approach to Shareholder Return

- CIC is focused on providing a reasonable return to the Province. This priority must be balanced with important public policy initiatives.
- In 2005, CIC declared a dividend of $221.0 million to the GRF resulting in:
  - A consolidated return on equity of 9.2 per cent; and,
  - A non-consolidated cash return on equity to the shareholder of 14.3 per cent.
- These returns were accomplished while supporting the following public policy initiatives:
  - Achievement of the lowest cost utility bundle in Canada in conjunction with Saskatchewan Energy Share;
  - Support of Gradworks Inc., an internship program for the Crown sector;
  - Debt restructuring of SaskWater; and,
  - Support of STC transportation routes in the province.

Financial Sustainability

- CIC monitors the financial resources of the Crown sector to ensure that financial performance targets are not only achieved in the current year, but also that the financial sustainability of the Crown sector is maintained for the future. This includes important functions such as:
  - Projecting available cash resources over the planning horizon for dividend payments to the GRF;
  - Ensuring Crown corporations have sufficient capital available to maintain and/or expand existing infrastructures; and,
  - Examining capital structures of Crown corporations (consisting of debt and equity) to maintain financial flexibility.
- All decisions that impact financial resources, such as dividends from the Crown sector, dividends to the GRF, or funding of a public policy initiative, are assessed within the context of financial self-sufficiency.
- During 2005, CIC's allocation of financial resources included the following:
  - Support of the aforementioned public policy initiatives;
  - Declaration of a dividend to the GRF of $221.0 million;
  - Approval of capital spending plans of subsidiary Crown corporations; and,
  - An equity injection of $25.0 million for SGI to support its expansion of business into Alberta and facilitate further growth in Ontario.

Enhancing Accountability

- CIC continues to advance its financial reporting practices in support of transparency and accountability. Examples of current practices to facilitate accountability include:
  - Quarterly reports for the Crown sector, available to the public via CIC's web-site;
  - Disclosure of budget information in the Government of Saskatchewan's summary budget;
  - Annual publication of CIC's non-consolidated financial statements to report on CIC as a holding company;
  - Implementation of new auditor independence guidelines in 2005;
  - Within the 2005 Annual Report, comparisons of Crown sector results to business plan targets; and,
  - Working to create dialogue and develop practices in support of financial statement certifications by executive management.
- CIC continuously evaluates new standards for financial reporting and corporate governance. The magnitude of changes and our work towards meeting these challenges has been extensive.

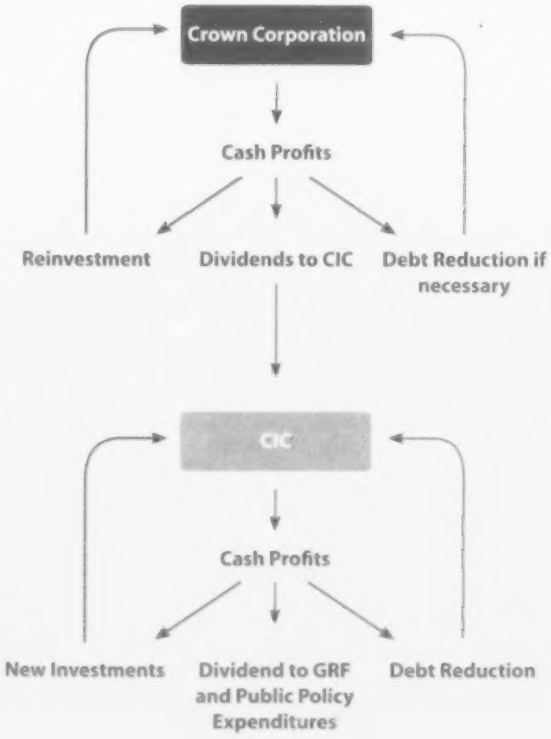
Managing Capital Resources in the Crown Sector

CIC has a diverse range of holdings, including subsidiary Crown corporations and its investment in NewGrade. A key priority for CIC is to manage the capital resources employed within the consolidated group of entities to optimize value in the Crown sector and also provide a return to the Province's GRF.

CIC manages this priority through its capital allocation framework that is based on two integrated policies. The policies are based on the principle that there are three potential uses for cash profits:

- **Reinvestment** in our businesses to sustain infrastructure and operations, to grow and diversify revenues, and in support of public policy initiatives and economic development;
- **Dividends** to the holding company to be used in accordance with the CIC Dividend Policy; and,
- **Debt reduction** to support the financial flexibility of CIC's businesses.

The first component, the Subsidiary Dividend Policy, focuses on managing capital resources to support the investment needs and business viability of the various business segments. The second component, CIC Dividend Policy, ensures that the investments into businesses provide a return to the government of Saskatchewan in support of programs paid for from the General Revenue Fund.



Subsidiary Dividend Policy

Each commercial Crown's ability to pay dividends is determined after the CIC Board allocates a portion of cash profits to reinvestment and debt reduction. The CIC Board has approved debt and capital structure targets for CIC's subsidiaries based on industry benchmarks. Therefore, for subsidiaries that pay dividends, the amount paid is determined in relation to a business's target capital structure compared to actual capital structure.

CIC Dividend Policy

In a similar way, cash paid by subsidiary Crown corporations is used by CIC for reinvestment, debt reduction and dividends to the GRF. CIC, as a holding company, currently does not have any debt. Therefore, cash is used for reinvestment and to pay dividends to the GRF. As well, CIC uses funds to support public policies, such as providing Saskatchewan households with the lowest cost utility bundle.

In 2005, CIC allocated $290.3 million of capital as follows:

Reinvestment:
- $25.0 million equity addition to SGI.
- $44.3 million grant funding to SaskWater, STC, Gradworks, and SGI.

Dividends and Public Policy Spending:
- CIC declared a dividend to the GRF in 2005 of $221.0 million.

Debt reduction:
- No funds were used for debt repayment as CIC (non-consolidated) does not carry debt.

CIC's ability to pay regular dividends to the GRF mainly depends on the level of Crown dividends to CIC less CIC's operating costs. These costs include support to non-dividend paying Crown corporations and public policy expenditures. Crown dividend levels depend on their net earnings and capital structure. In addition to cash constraints, CIC's ability to declare dividends to the GRF depends on its retained earnings (a company's retained earnings are the aggregate amount of undistributed income since its inception). CIC's earnings and, hence, dividend capacity outlook are sensitive to adverse developments in its operating expenditures and Crown earnings forecasts.

Capital Structures of Commercial Crown Corporations

The following table summarizes the target capital structure of CIC's Crown corporations that declared dividends to CIC in 2005.

	Capital Structure Measure	Capital Structure Target	2005 Actual Capital Structure	Dividend Payout Rate
SaskPower	Debt Ratio	60%	61%	65%
SaskTel	Debt Ratio	45%	28%	90%
SaskEnergy[1]	Debt Ratio	65%	65%	65%
SGI[2]	Net Risk Ratio	2.0	2.0	65%

[1] SaskEnergy's earnings include $53.6 million in funding from the GRF related to Saskatchewan Energy Share. As part of this plan, SaskEnergy received $31.7 million for unrecovered natural gas costs incurred prior to October 31, 2005. SaskEnergy's dividend to CIC is exclusive of this component, resulting in an effective dividend payout rate for 2005 of 38%.

[2] Net Risk Ratio is an indicator of financial flexibility used in the insurance industry. SGI reached its target in 2005, in part due to an equity injection by CIC of $25.0 million.

Liquidity

CIC and its subsidiary Crown corporations borrow from the GRF, which in turn, borrows in capital markets. With strong credit ratings, the GRF has ample access to capital for anticipated borrowing requirements.

There are three credit rating agencies in Canada that evaluate and rate the Province's sovereign debt. These ratings affect the interest rate at which the Province, including the Crown sector, can borrow funds. As the credit ratings improve, the interest rates at which the Province can borrow decrease, thereby reducing the costs of borrowing. During 2005, two of these agencies upgraded the Province's credit rating. It was noted that the strong performance of the Crown sector was an important factor in the assessment of the Province's financial health.

Province of Saskatchewan Credit Ratings

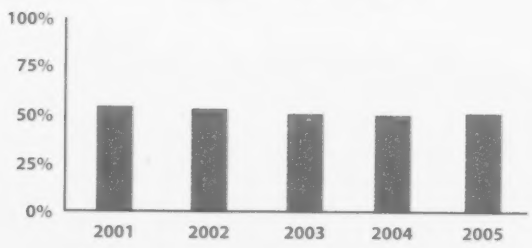
Moody's Investor Service	Aa2 *
Standard & Poor's	AA-
Dominion Bond Rating Service	A (high) *

* Denotes rating upgrade in 2005

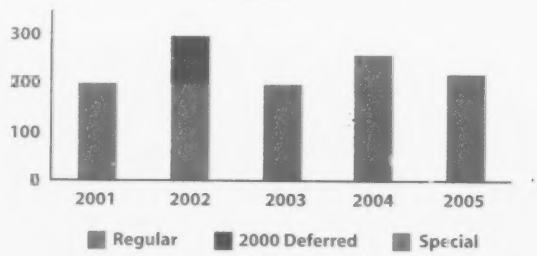
Financial Health and Dividends to the Province

As CIC has strengthened its financial position, higher dividends to the GRF have been possible. CIC has been able to increase its regular GRF dividend over time from $50.0 million in 1997 to $221.0 million in 2005. In addition, cash from asset sales have enabled special dividends of $185.0 million and equity repayments of $266.3 million since 1998.

Consolidated Debt Ratio



Dividends Declared to the GRF
$ Millions



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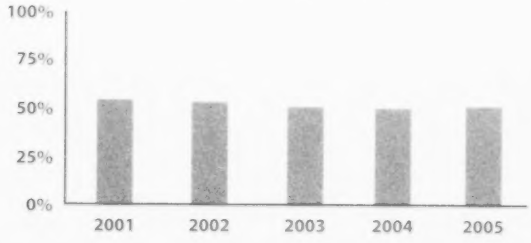

Dividends Declared to the GRF
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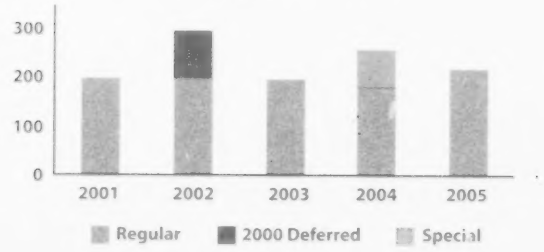

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CIC Consolidated

CIC Consolidated Management Discussion & Analysis

The following analysis of CIC's consolidated 2005 financial results should be read in conjunction with the audited consolidated financial statements. While this MD&A is as complete as possible, CIC is bound by confidentiality agreements with its investment partners. In some cases, these agreements limit the information that CIC can release. For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity.

CIC's consolidated financial statements are prepared in accordance with GAAP and, as such, consolidate the results of all of CIC's subsidiary corporations.

Comparison of 2005 results with 2004

Net earnings for the year were $306.7 million (2004 - $312.1 million). Net earnings from ongoing operations (earnings before public policy expenditures, income taxes, non-recurring items and discontinued operations) were $434.3 million (2004 - $384.8 million).

Consolidated Earnings Comparison

$ Millions	2005	2004	2003	2002	2001
SaskPower	**130.5**	66.4	187.2	136.7	29.1
SaskTel	**64.4**	94.5	83.0	65.1	101.5
SaskEnergy	**76.7**	107.8	40.9	6.9	(15.4)
SGI	**35.2**	41.7	21.2	(8.8)	10.2
Investment Saskatchewan	**(87.7)**	19.3	7.5	11.6	(15.7)
Information Services Corporation	**8.3**	8.3	(5.8)	(6.3)	(6.3)
SaskWater	**34.0**	(1.5)	(2.3)	(3.3)	(4.2)
STC	**(0.6)**	(0.1)	(2.1)	(0.9)	(1.1)
SOCO	**5.5**	6.1	(0.2)	(1.4)	(2.2)
CIC (Non-Consolidated)	**248.1**	275.0	274.3	262.8	110.2
NewGrade	**88.9**	40.2	32.3	6.5	51.0
Consolidation Adjustments[1] & Other	**(296.6)**	(345.6)	(290.6)	(174.8)	(124.9)
Consolidated Earnings	**306.7**	312.1	345.4	294.1	132.2
Total Assets	**9,248.2**	8,139.9	7,874.5	7,998.1	8,160.2

[1] Consolidation adjustments reflect the elimination of all inter-entity transactions, such as revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC.

As the foregoing table illustrates, consolidated Crown sector results in 2005 were comparable with 2004 results. Consolidated net income decreased $5.4 million from the prior year. Variances in the Crown sector were as follows:

- SaskPower earnings increased over 2004 primarily due to a rate increase that became effective in September 2004. In addition, improved hydro conditions in the Province facilitated increased hydro generation and higher electrical export revenues.
- SaskTel earnings decreased relative to 2004 due to an asset write-down in Navigata and costs associated with changes to retirement benefits.
- SaskEnergy earnings decreased relative to 2004 due to reduced gains on commodity sales and lower earnings from operations.
- SGI posted earnings of $35.2 million; $6.5 million lower than 2004 earnings. Record high underwriting revenues were offset by higher claims related to summer storm activity as well as a $9.7 million loss stemming from client default on a service agreement.
- Investment Saskatchewan posted a loss of $87.7 million in 2005, below 2004 earnings of $19.3 million primarily due to losses on discontinued operations. Results associated with discontinued operations had a significant impact on Investment Saskatchewan's results, as it expects to exit four investments in 2006, consisting of Hypor, Crown Life Insurance Company, Centennial Foods Partnership, and Meadow Lake Pulp Limited Partnership (MLPLP). Losses from discontinued operations attributable to MLPLP were $127.9 million.
- NewGrade earnings of $88.9 million compared favourably to 2004 earnings of $40.2 million due to a general increase in differentials between world oil prices for light and heavy crude oil.

Significant Events Impacting 2005 Consolidated Results

During 2005, there were some significant events that impacted CIC's consolidated results. These are detailed as follows:

1. New Accounting Policy for Variable Interest Entities

During 2005, CIC adopted CICA Handbook Accounting Guideline 15 (AcG-15) on the Consolidation of Variable Interest Entities. A variable interest entity is any kind of legal structure, such as a partnership, corporation or trust, which is subject to control by contractual or other financial arrangements rather than by voting equity.

Upon review of investments held, CIC determined that three investments, specifically HARO Financial Corporation (HARO), Meadow Lake Pulp Limited Partnership (MLPLP) and Prairie Ventures Limited Partnership (PVF), met this definition and required consolidation into the accounts of CIC. As a result, CIC increased its consolidated assets and, concurrently, its consolidated liabilities and equity by $770.8 million.

This accounting policy was adopted by CIC for the 2005 fiscal year end. In accordance with the guideline, management has chosen to not apply this policy to prior year comparative results. As a result, 2005 retained earnings have been adjusted by $36.3 million.

2. Discontinued Operations

The financial results for CIC include certain assets that are in the process of being liquidated. In accordance with accounting policy, these assets are separated from the ongoing operations of CIC and classified as discontinued operations for both the current year and 2004 comparative figures. Included in this category are assets held in its joint ventures, Centennial Foods Partnership and Hypor, as well as its subsidiaries, MLPLP and Crown Life Insurance Company (through its subsidiary HARO). CIC expects these assets to be disposed of in 2006.

3. Saskatchewan Energy Share

In November 2005, the Government of Saskatchewan established Saskatchewan Energy Share. One component of this program was a cap on the consumer price for natural gas to assist rate regulated customers in dealing with high natural gas prices. The difference between the market price for gas and the rate charged to customers (the cap) would be paid for by the Province for the period November 1, 2005 to March 31, 2006.

Under the program, natural gas prices were capped at $7.95 per gigajoule. To December 31, 2005, CIC has received $53.6 million from the GRF to compensate CIC for the actual market cost of gas exceeding the customer price cap of $7.95 per gigajoule.

4. Public Policy Expenditures

In 2003, the government indicated that Saskatchewan families would receive the package of basic utilities including home electricity, home natural gas, basic telephone and auto insurance rates at a total annual cost that is the lowest in Canada. During 2005, CIC, through its external consultants Meyers Norris Penny, determined that Saskatchewan had the lowest cost package of services. In 2004, CIC expended $52.0 million in meeting the commitment.

Analysis of 2005 Consolidated Revenues and Expenses

Revenues

Revenues from ongoing operations were $4,250.3 million (2004 - $3,846.3 million), an increase of $404.0 million. The increase was due to a $385.5 million increase in operating revenues, an increase in investment revenue of $17.1 million and an increase in other revenue of $1.4 million.

Operating revenues were $4,155.2 million (2004 - $3,769.7 million). The $385.5 million increase was mainly due to an increase in sale prices for commodity based investments, higher utility sales and increased insurance premiums.

Operating revenues for commodity based investments increased by $284.4 million. The increase is due to the following:

- The Corporations share of revenue at NewGrade increased by $171.7 million due to increased differentials between light and heavy oil prices.
- The Corporation experienced a gain in revenue of $112.7 million through consolidation of Big Sky Farms Inc. and Prairie Ventures Fund into the accounts of Investment Saskatchewan as a result of the application of new GAAP standards for variable interest entities.

Utility sales were $3,065.8 million (2004 - $2,954.8 million), an increase of $111.0 million. The increase is due to the following:

- Increased sales by SaskPower ($65.8 million) due primarily to the impact of a 5.65 per cent system-wide average rate increase implemented September 1, 2004, as well as increased export revenue.
- Increased sales by SaskTel ($49.8 million) primarily due to increased revenues from cellular access and air time, as well as increased data entertainment and consulting service revenues.
- These increases were offset by lower revenues at SaskEnergy ($7.6 million) due to warmer weather during the prime heating load season which averaged 4 per cent warmer than 2004.

Insurance revenues increased at SGI by $14.7 million due to growth in Saskatchewan premiums.

Offsetting the overall increases in revenue was the increased activity within the consolidated corporate entities, eliminating $24.2 million of the individual increases in sales.

Investment revenues were $89.6 million (2004 - $72.5 million). The $17.1 million increase reflects an increase in the Corporation's share in earnings from equity investments and collection of interest on loan and short-term investment portfolios.

Expenses

Expenses were $3,816.0 million (2004 - $3,461.5 million), an increase of $354.5 million. The primary factors for the increase were an increase in operating costs of $342.5 million primarily related to commodity based investments and utility operations.

Operating costs from commodity based investments increased by $198.1 million primarily due to:

- The Corporation's share of the increase in operating costs at NewGrade of $105.2 million due mainly to the increased cost of oil feedstock.
- Increase in operating costs at Investment Saskatchewan of $92.9 million due mainly to the consolidation of Big Sky Farms Inc and Prairie Ventures Fund as a result of the application of new GAAP standards for variable interest entities.

Operating costs from utility operations increased by $148.6 million primarily due to:

- Increase in operating expenses for SaskPower ($10.9 million) due to higher maintenance and administrative expenses.
- Increase in operating costs at SaskTel ($68.5 million) were primarily due to expenses to acquire and support wireless revenue growth, the write-down of long-lived assets and windup and replacement of the employee retiring allowance as part of a settlement with its union.
- Increase in operating costs at SaskEnergy ($74.7 million) primarily due to increased natural gas prices from 2004.

Interest costs were $243.9 million (2004 - $248.5 million) a decrease of $4.6 million, despite an increase in debt of $292.8 million. The decrease is attributed to capitalization of interest on investments under construction and strong sinking fund earnings.

Other Non-operating Revenue and Expenses

The Corporation had several significant non-operating expenses in 2005. These expenses were as follows:

- Although Crown corporations are non-taxable certain investments held by the Corporation are taxable. The most significant of these investments is NewGrade. During the year the Corporation recorded $56.1 million in current and future taxes (2004 - $26.5 million).
- The Corporation recorded income from non-recurring items of $43.9 million. The non-recurring items consist of funding of $53.6 million from the GRF to enact Saskatchewan Energy Share, and a loss of $9.7 million on a service agreement entered into by SGI.
- The Corporation recorded a loss on discontinued operations of $115.4 million. These losses were primarily due to the write-down of assets held in MLPLP.

The following table illustrates the disclosure of these items in CIC's 2005 consolidated financial statements:

$ Millions	2005	2004
Income before the following	**434.3**	384.8
Future income tax expense	**(35.9)**	(26.5)
Current income tax expense	**(20.2)**	-
Public policy expenditure	**-**	(52.0)
Non-recurring items	**43.9**	8.0
Loss from discontinued operations	**(115.4)**	(2.2)
Consolidated Earnings	**306.7**	312.1

Analysis of 2005 Consolidated Capital Resources

Consolidated Debt

CIC closely monitors the debt levels of its subsidiaries, utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a corporation's capital structure. CIC uses this measure in assessing the extent of financial leverage and, in turn, financial flexibility for its subsidiary Crown corporations. Too high a ratio relative to target (which is determined according to industry standards) indicates an excessive debt burden that may impair a firm's ability to withstand downturns in revenues and still meet fixed payment obligations.

CIC reviews the debt ratio targets on an annual basis to ensure consistency with industry standards. This review also considers Crown plans for capital spending (e.g., purchasing assets). The target debt ratios for Crown corporations are approved by the CIC Board.

The following table shows the consolidated debt level and the consolidated debt ratio of CIC.

	2005	2004	2003	2002	2001
Consolidated debt	**$3,608.5M**	$ 3,315.7M	$ 3,358.4M	$ 3,523.5M	$3,621.9M
Consolidated debt ratio	**51.7%**	50.4%	51.0%	53.3%	54.5%

Debt, on a consolidated basis, was $3,608.5 million at December 31, 2005, an increase of $292.8 million compared to 2004 debt of $3,315.7 million. Increases in debt at Investment Saskatchewan ($109.7 million) and SaskPower ($255.9 million) were partially offset by decreases in debt at SaskWater ($20.9 million), SaskEnergy ($20.1 million), ISC ($12.0 million), SaskTel ($9.9 million), NewGrade ($9.8 million), and SDFC ($0.1 million). The increase at Investment Saskatchewan relates primarily to the acquisition of $52.0 million of debentures for MLPLP that were held by a third party, as well as the consolidation of certain investments in accordance with new GAAP accounting standards on variable interest entities.

Capital Spending

CIC spent $1,510.1 million (2004 - $1,033.7 million) on new investment and capital acquisitions. The $476.6 million increase reflects a $260.8 million increase in investment activity, mainly due to turnover within SGI's investment portfolio, and an increase in fixed asset spending of $215.8 million related mainly to $188.0 million spent by SaskPower on its Centennial Wind Power facility near Swift Current.

Operating, Investing and Financing Activities

$ Millions	2005	2004
Cash from Operations	**891.2**	342.0
Cash used in Investing Activities	**(690.3)**	(391.9)
Cash used in Financing Activities		
Dividends Paid	**(263.8)**	(295.0)
Debt Proceeds Received	**487.2**	452.6
Debt Repaid	**(287.9)**	(237.0)
Other Financing Activities	**20.9**	29.4
Increase (decrease) in Cash	**76.1**	(99.1)

Cash from operations was $891.2 million (2004 - $342.8 million). The $548.4 million increase was primarily due to increased operating earnings from subsidiaries.

Cash used in investing activities was $690.3 million (2004 - $391.9 million). The $298.4 million increase reflects significant purchases of plant, property and equipment due mainly to construction of SaskPower's Centennial Wind Power facility.

Cash used in financing activities was $122.7 million (2004 - $40.0 million provided by financing activities). During the period, the Corporation's net cash supplied by borrowing was $119.3 million, due mainly to financing SaskPower's Centennial Wind Power facility, an increase in deferred revenue and other liabilities by $20.9 million and payment of dividends to the GRF of $263.0 million.

Comparison of 2005 Results with Budget

$ Millions	2005 Earnings		2005 CIC Dividend	
	Budget	Actual	Budget	Actual
SaskPower	127.6	130.5	82.9	84.8
SaskTel	94.2	64.4	84.8	57.9
SaskEnergy	88.2	76.7	57.4	29.3
SGI	32.0	35.2	20.8	22.9
Investment Saskatchewan	14.1	(87.7)	9.9	-
Information Services Corporation	5.3	8.3	-	-
SaskWater	(1.8)	34.0	-	-
STC	(0.6)	(0.6)	-	-
SOCO	5.7	5.5	-	-
NewGrade	15.6	88.9	72.5	105.0
CIC, Other, Adjustments	(59.9)	(48.5)	-	-
Consolidated Earnings	**320.4**	**306.7**	**328.3**	**299.9**

The preceding table shows results for the commercial Crown corporations in 2005 in comparison to business plan targets. Consolidated earnings for 2005 of $306.7 million were slightly below the budgeted amount of $320.4 million. Variances in the Crown sector were as follows:

- SaskPower earnings were above budget due to better than expected hydro conditions that facilitated increased hydro generation and higher electrical export revenues.
- SaskTel earnings were below budget due to higher than expected restructuring costs, the write-down of Navigata assets and costs associated with changes to retirement benefits.
- SaskEnergy earnings were below budget due to a lower gain on commodity sales and lower earnings from operations.
- SGI posted earnings that were above budget, primarily due to lower claim costs and increased earnings on its portfolio investments, partially offset by a loss on a service agreement with a client in voluntary bankruptcy.
- Investment Saskatchewan's loss of $87.7 million in 2005 was below its earnings target of $14.1 million. Losses from discontinued operations attributable to MLPLP totaled $127.9 million in 2005.
- NewGrade earnings of $88.9 million compared favourably to budgeted earnings of $15.6 million, due to an increase in differentials between world oil prices for light and heavy crude oil.

A Closer View of CIC's Holdings

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries while others are joint ventures and partnerships held either directly by CIC or through its wholly-owned subsidiaries.

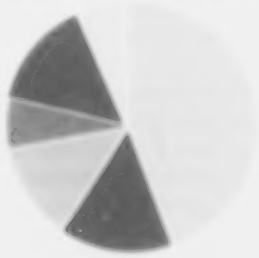
Investment	Major Business Line	Form of Investment
Saskatchewan Power Corporation (SaskPower)	Electricity	wholly-owned subsidiary
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications	wholly-owned subsidiary
SaskEnergy Incorporated (SaskEnergy)	Natural Gas	wholly-owned subsidiary
Saskatchewan Water Corporation (SaskWater)	Water and Wastewater	wholly-owned subsidiary
Information Services Corporation of Saskatchewan (ISC)	Land and Property Registration Services	wholly-owned subsidiary
Saskatchewan Government Insurance (SGI)	Property and Casualty	wholly-owned subsidiary
Saskatchewan Opportunities Corporation (SOCO)	Infrastructure	wholly-owned subsidiary
Saskatchewan Development Fund Corporation (SDFC)	Mutual Fund	wholly-owned subsidiary
Saskatchewan Government Growth Fund Management Corporation (SGGF)	Immigrant Investor	wholly-owned subsidiary
Saskatchewan Transportation Company (STC)	Passenger and Freight Transportation	wholly-owned subsidiary

Utilities Insurance Commodity Based Investments Economic Growth Transportation

Total Assets by Business Segments

Utilities Commodity
Insurance Other

Total Assets by Corporation



SaskPower SaskEnergy SaskTel
SGI IS Other

Profiles of each subsidiary Crown corporation and NewGrade, as a major investment, are included in this section. Each subsidiary Crown corporation prepares an annual report which is tabled in the Legislative Assembly. For additional information please refer to these annual reports.

The charts on the previous page illustrate the importance of the utility business segment to the financial results of the corporation. Of these corporations, SaskPower, SaskTel and SaskEnergy are the most significant in terms of assets, liabilities and operating income generated. The ability of the utilitiy corporations to achieve their respective financial targets is important to the overall financial performance of CIC.

Segmented Information

($ millions)

Income Statement for the year ended December 31	Utilities		Commodity-Based		Insurance		Transportation		Economic Growth		Other & Adjustments		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Sales and other revenue	3,078	2,961	918	623	309	294	14	18	24	27	(93)	(77	4,250	3,846
Operating expenses & other	2,622	2,459	730	531	265	252	20	18	18	18	(83)	(65	3,572	3,213
Debt costs	230	243	13	3	–	–	–	–	1	2	–	–	244	248
Earnings before the following	226	259	175	89	44	42	(6)	–	5	7	(10)	(12	434	385
Non-recurring items and taxes	88	17	(57)	15	(9)	(1)	7	–	–	–	(41)	(102	(12)	(71)
Discontinued operations	–	–	(115)	(2)	–	–	–	–	–	–	–	–	(115)	(2)
Net earnings	314	276	3	102	35	41	1	–	5	7	(51)	(114	307	312
Balance Sheet as at December 31														
Current assets	827	793	876	402	211	180	3	3	10	10	167	175	2,094	1,563
Investments & other	431	383	646	517	384	343	–	–	3	3	2	2	1,466	1,248
Capital assets	5,545	5,297	112	5	12	9	18	16	7	6	(6)	(4	5,688	5,329
	6,803	6,473	1,634	924	607	532	21	19	20	19	163	173	9,248	8,140
Current liabilities	997	943	346	152	205	192	2	2	5	10	170	138	1,725	1,437
Long-term debt	3,139	2,941	78	36	–	–	–	–	–	–	–	–	3,217	2,977
Other	136	190	535	40	259	234	9	9	–	–	(10)	(13	929	460
	4,272	4,074	959	228	464	426	11	11	5	10	160	125	5,871	4,874
Province's equity	2,531	2,399	675	696	143	106	10	8	15	9	3	48	3,377	3,266
	6,803	6,473	1,634	924	607	532	21	19	20	19	163	173	9,248	8,140
Statement of Cash Flows for the year ended December 31														
Operating activities														
Ongoing operations	756	554	168	(103)	41	55	–	1	5	8	(103)	(208	867	307
Discontinued operations	–	–	24	36	–	–	–	–	–	–	–	–	24	36
	756	554	192	(67)	41	55	–	1	5	8	(103)	(208	891	343
Investing activities														
Capital asset purchases	(681)	(480)	(21)	(3)	(3)	(1)	(4)	(2)	(6)	(9)	20	16	(695)	(479)
Other	18	15	89	147	(45)	(24)	–	–	–	–	1	(52	5	87
	(663)	(465)	68	144	(48)	(25)	(4)	(2)	(6)	(9)	21	(36	(690)	(392)
Financing activities														
Debt proceeds	381	414	16	–	–	–	–	–	–	1	10	(3	407	412
Debt repayments	(210)	(207)	(29)	(18)	–	–	–	–	–	–	(49)	39	(288)	(146)
Dividends paid to CIC	(216)	(274)	(60)	(8)	(22)	(27)	–	–	–	–	298	309	–	–
Dividends paid to GRF	–	–	–	–	–	–	–	–	–	–	(263)	(281)	(263)	(281)
Other	(40)	(65)	(31)	1	25	–	4	1	–	–	83	22	21	(41)
	(85)	(132)	(104)	(25)	3	(27)	4	1	–	1	79	86	(123)	(56)
Change in cash	8	(3)	156	52	(4)	3	–	–	(1)	–	(3)	(158	78	(105)

A Closer View of CIC's Holdings

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries while others are joint ventures and partnerships held either directly by CIC or through its wholly-owned subsidiaries.

Investment	Major Business Line	Form of Investment
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SaskEnergy Incorporated (SaskEnergy)	Natural Gas	wholly-owned subsidiary
Saskatchewan Water Corporation (SaskWater)	Water and Wastewater	wholly-owned subsidiary
Information Services Corporation of Saskatchewan (ISC)	Land and Property Registration Services	wholly-owned subsidiary
Saskatchewan Government Insurance (SGI)	Property and Casualty	wholly-owned subsidiary
Saskatchewan Opportunities Corporation (SOCO)	Infrastructure	wholly-owned subsidiary
Saskatchewan Development Fund Corporation (SDFC)	Mutual Fund	wholly-owned subsidiary
Saskatchewan Government Growth Fund Management Corporation (SGGF)	Immigrant Investor	wholly-owned subsidiary
Saskatchewan Transportation Company (STC)	Passenger and Freight Transportation	wholly-owned subsidiary

Utilities Insurance Commodity Based Investments Economic Growth Transportation

Total Assets by Business Segments

Utilities Commodity
Insurance Other

Total Assets by Corporation

SaskPower SaskEnergy SaskTel
SGI IS Other

Profiles of each subsidiary Crown corporation and NewGrade, as a major investment, are included in this section. Each subsidiary Crown corporation prepares an annual report which is tabled in the Legislative Assembly. For additional information please refer to these annual reports.

The charts on the previous page illustrate the importance of the utility business segment to the financial results of the corporation. Of these corporations, SaskPower, SaskTel and SaskEnergy are the most significant in terms of assets, liabilities and operating income generated. The ability of the utilitiy corporations to achieve their respective financial targets is important to the overall financial performance of CIC.

Segmented Information

($ millions)

	Utilities		Commodity-Based		Insurance		Transportation		Economic Growth		Other & Adjustments		Total	
Income Statement for the year ended December 31	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Sales and other revenue	3,078	2,961	918	623	309	294	14	18	24	27	(93)	(77)	4,250	3,846
Operating expenses & other	2,622	2,459	730	531	265	252	20	18	18	18	(83)	(65)	3,572	3,213
Debt costs	230	243	13	3	-	-	-		1	2	-	-	244	248
Earnings before the following	226	259	175	89	44	42	(6)		5	7	(10)	(12)	434	385
Non-recurring items and taxes	88	17	(57)	15	(9)	(1)	7		-		(41)	(102)	(12)	(71)
Discontinued operations	-		(115)	(2)	-		-		-		-		(115)	(2)
Net earnings	314	276	3	102	35	41	1		5	7	(51)	(114)	307	312
Balance Sheet as at December 31														
Current assets	827	793	876	402	211	180	3	3	10	10	167	175	2,094	1,563
Investments & other	431	383	646	517	384	343	-		3	3	2	2	1,466	1,248
Capital assets	5,545	5,297	112	5	12	9	18	16	7	6	(6)	(4)	5,688	5,329
	6,803	6,473	1,634	924	607	532	21	19	20	19	163	173	9,248	8,140
Current liabilities	997	943	346	152	205	192	2	2	5	10	170	138	1,725	1,437
Long term debt	3,139	2,941	78	80	-		-		-		-		3,217	2,977
Other	136	190	535	40	259	234	9	9	-		(10)	(13)	929	460
	4,272	4,074	959	226	464	426	11	11	5	10	160	125	5,871	4,874
Province's equity	2,531	2,399	675	698	143	106	10	8	15	9	3	48	3,377	3,266
	6,803	6,473	1,634	924	607	532	21	19	20	19	163	173	9,248	8,140
Statement of Cash Flows for the year ended December 31														
Operating activities														
Ongoing operations	756	554	168	(103)	41	55		1	5	8	(103)	(208)	867	307
Discontinued operations	-		24	36									24	36
	756	554	192	(67)	41	55	-	1	5	8	(103)	(208)	891	343
Investing activities														
Capital asset purchases	(681)	(480)	(21)	(3)	(3)	(1)	(4)	(2)	(6)	(3)	20	16	(695)	(479)
Other	18	13	89	147	(45)	24	-		-		(57)	(32)	5	87
	(663)	(467)	68	144	(48)	23	(4)	(2)	(6)	(3)	(37)	(16)	(690)	(392)
Financing activities														
Debt proceeds	381	414	56		-		-		-		1	17	438	431
Debt repayments	(210)	(207)	(29)	(18)	-		-		-		(49)	19	(288)	(206)
Dividends paid to CIC	(216)	(214)	(60)	(9)	(22)	(27)	-		-		298	250	-	
Dividends paid to GRF											(263)	(250)	(263)	(250)
Other	(40)	(67)	(31)	1	25		4	1	-		83	2	41	(63)
	(85)	(74)	(64)	(26)	3	(27)	4	1	-		69	38	(72)	(88)
Change in cash	8	13	196	51	(4)	51	-		(1)	5	(71)	(186)	129	(137)

SaskPower

Utilities

Comparison of 2005 Results with 2004 Results

Earnings of $130.5 million increased from $66.4 million in 2004. This increase is primarily due to a rate increase that became effective in September 2004. In addition, improved hydro conditions in the Province permitted increased hydro generation and higher electrical export revenues.

Revenue of $1,325.7 million increased from $1,257.2 million in 2004. This increase is mainly due to higher Saskatchewan sales primarily as a result of the impact of a 5.65 per cent system-wide average rate increase implemented in September 2004, as well as an increase in export revenues.

Expenses of $1,195.2 million increased slightly from $1,190.8 million in 2004 primarily due to higher operating costs, partially offset by lower finance charges and lower costs for fuel and purchased power related to improved hydro conditions.

Net debt of $2,297.1 million increased from $2,041.2 million in 2004. This increase is due primarily to the additional borrowing of $300.0 million to finance SaskPower's capital program, partially offset by debt repayments, sinking fund installments and sinking fund earnings.

Capital spending of $473.1 million increased from $300.6 million in 2004 primarily due to new spending for wind generation, customer connections and to extend the life of existing infrastructure.

Debt ratio of 60.9 per cent increased from 58.2 per cent in 2004 as a result of SaskPower's capital program.

Return on equity of 9.2 per cent increased from 4.8 per cent in 2004.

Dividend declared to CIC of $84.8 million increased from $59.8 million in 2004 commensurate with increased 2005 earnings, partially offset by a lower payout ratio. SaskPower's dividend payout rate was lowered as a result of its increasing debt ratio.

Key Financial Data

	2005 Actual	2005 Bus. Plan[1]	2004	2003	2002	2001
Earnings	**$130.5M**	**$82.6M**	$66.4M	$187.2M	$136.7M	$29.1M
Dividend declared to CIC	**$84.8M**	**$53.7M**	$59.8M	$168.5M	$82.3M	$16.3M
Total assets	**$4,101.4M**	**$4,152.2M**	$3,831.0M	$3,611.7M	$3,629.5M	$3,597.4M
ROE	**9.2%**	**5.9%**	4.8%	13.6%	10.2%	3.0%
Debt ratio	**60.9%**	**62.3%**	58.2%	56.5%	56.8%	56.6%

[1] SaskPower's 2005 budget amounts reflect a significant change in planning assumptions that occurred subsequent to approval of SaskPower's 2005 business plan related to lower than planned electrical rates for 2005. SaskPower's variance analysis reflects this revision. CIC budgets reflect SaskPower's original earnings and dividend targets.

Comparison of 2005 Results with Budget

Earnings exceeded the $82.6 million target by $47.9 million primarily due to higher export revenues, better than expected hydro conditions and lower finance charges.

Revenues were $47.8 million higher than the $1,277.9 million target primarily due to higher than expected electrical export revenues.

Expenses were consistent with the target of $1,195.3 million due primarily to lower than anticipated finance charges which were offset by higher operating, maintenance and administration costs.

Dividend to CIC was $31.1 million higher than the $53.7 million target commensurate with higher than expected earnings.

2006 Outlook

Earnings are expected to decline in 2006 largely as a result of rising fuel and purchased power costs.
SaskPower expects an increase in depreciation and finance charges as the Centennial Wind Power Facility begins operations.
SaskPower plans to continue making significant investments in its generation, transmission and distribution infrastructure with anticipated capital expenditures of approximately $280 million in 2006.

Key Factors Affecting Performance

Weather conditions.
Export markets.
Volatility of natural gas prices.
Availability of relatively low cost hydro and coal generation.

Key Operating Data

	2005	2004	2003	2002	2001
Permanent full time equivalents	**2,425**	2,397	2,376	2,350	2,286
Total distribution customers	**441,692**	439,165	436,478	434,234	432,061
Residential average usage (m^3)	**8,065**	8,048	8,208	8,100	7,923
Power lines (km of poles)	**154,269**	153,557	152,837	152,110	151,750

Rural electrification in the winter c. 1941

SaskTel

Utilities

Comparison of 2005 Results with 2004 Results

Earnings of $64.4 million decreased from $94.5 million in 2004. This decrease was driven primarily by one time costs, including an asset write-down in Navigata and the wind-up and replacement of the defined benefit retiring allowance.

Operating revenues of $982.2 million increased from $932.4 million in 2004. This increase is primarily due to increased revenues from cellular access and air time, as well as increased data, entertainment and consulting service revenues.

Operating expenses of $893.6 million were higher than the $819.1 million in 2004. This increase is primarily due to expenses to acquire and support wireless revenue growth, the write-down of long-lived assets and wind-up and replacement of the employee retiring allowance as part of the settlement of the collective agreement with its union.

Interest costs of $25.5 million decreased from $27.0 million in 2004 primarily due to increased interest earned on short-term investments and sinking funds.

Debt of $359.1 million decreased from $369.0 million in 2004 primarily due to annual sinking fund instalments and increased sinking fund earnings.

Capital spending of $141.1 million increased from $123.1 million in 2004 primarily due to continued investment in its telecommunications network and expansion of its data, entertainment, and cellular networks.

Debt ratio of 28.3 percent rose from 25.7 percent in 2004. The debt ratio is calculated using total term debt less cash and short-term investments. While the level of term debt decreased, cash and short-term investments declined significantly in 2005 resulting in an increase in the debt ratio.

Return on equity of 9.7 percent was below the 14.4 percent return in 2004.

Dividend declared to CIC of $57.9 million decreased from $88.0 million in 2004 commensurate with lower earnings.

Key Financial Data

	2005 Actual	2005 Bus. Plan	2004	2003	2002	2001
Earnings	**$64.4M**	**$94.2M**	$94.5M	$83.0M	$65.1M	$101.5M
Dividend declared to CIC	**$57.9M**	**$84.8M**	$88.0M	$76.6M	$58.6M	$91.3M
Total assets	**$1,213.7M**	**$1,305.4M**	$1,230.7M	$1,231.8M	$1,220.8M	$1,248.9M
ROE	**9.7%**	**14.2%**	14.4%	13.0%	10.1%	16.0%
Debt ratio	**28.3%**	**40.8%**	25.7%	32.7%	38.5%	39.9%

Comparison of 2005 Results with Budget

SaskTel earnings fell $29.8 million below the $94.2 million budget primarily due to higher than expected restructuring costs, the write-down of Navigata assets and the wind-up and replacement of the defined benefit retiring allowance.

Revenues were $35.7 million higher than the $946.5 million budget. This increase was primarily due to a higher than expected number of wireless customers and a favourable Canadian Radio-television and Telecommunications Commission decision on competitor digital network access.

Operating expenses were $74.5 million higher than the $819.1 million budget primarily due to increased operating costs to support the growing wireless customer base, higher than budgeted restructuring costs, the retirement allowance curtailment, the introduction of the Centennial Plan and a write-down of Navigata assets.

2006 Outlook

SaskTel is expecting higher earnings in 2006 resulting from revenue growth. For the first time in its 99 year history, SaskTel forecasts in excess of $1 billion gross revenues.
Revenues from growth initiatives are projected to increase while revenues from traditional sources are expected to decline.
Estimated restructuring charges of $38 million are expected.
SaskTel will evaluate operational and structural options to further decrease costs within the traditional business.
SaskTel expects to spend approximately $416 million on capital and external investments during 2006. No significant divestitures are anticipated.

Key Factors Affecting Performance

Rapidly changing technologies that deliver internet protocol products and services through traditional and new, non-traditional competitors.
Competitive pressures in internet, wireless and long distance markets.
Ability to develop new products and services to support growth initiatives.
Challenges of meeting cost reduction targets while providing exceptional customer service and meeting the communications needs of the people of Saskatchewan.
Changes in policies and regulations coming from Canadian Radio-television and Telecommunications Commission decisions.

Key Operating Data

	2005	2004	2003	2002	2001
Permanent full time equivalents	**3,995**	4,103	4,153	4,172	4,101
Operating revenue ($000's)	**982,198**	932,358	897,150	893,485	863,426
Network access services	**604,279**	606,925	610,720	613,695	616,292
Cellular access services	**379,862**	334,543	297,513	269,481	249,792
Internet access services	**179,949**	162,646	148,853	128,501	106,204
Originated minutes (1000's)	**1,390,614**	1,426,493	1,433,936	1,437,747	1,442,165

Telephone construction crew, c. 1920

SaskEnergy

Utilities

Comparison of 2005 Results with 2004 Results

Earnings of $76.7 million decreased from $107.8 million in 2004 primarily due to a lower gain on commodity sales and lower net earnings from operations. The gain on commodity sales in 2005 included $53.6 million funded from the GRF to lower the cost of gas.

Revenues of $320.7 million aproximated revenues in 2004. Higher revenues associated with gas marketing activities were offset by lower consumption related to warmer weather and lower transportation revenue due to reduced rates.

Expenses of $255.4 million increased slightly from $247.3 million in 2004 primarily due to higher operating and maintenance expenses.

SaskEnergy incurred a gain on commodity sales of $11.4 million, a decrease from the $37.8 million gain in 2004. The 2005 gain included $53.6 million in funding from the GRF related to Saskatchewan Energy Share. As part of this plan, SaskEnergy received $31.7 million for unrecovered natural gas costs incurred prior to October 31, 2005. As well, SaskEnergy received $21.9 million for the purpose of reducing naural gas costs to $7.95 per Gigajoule for the two month period November 1 to December 31, 2005.

Debt of $734.4 million decreased from $754.5 million in 2004 due to debt repayments.

Capital spending of $58.6 million was lower than the $67.8 million spent in 2004 due to comparatively less spending on storage development and system expansion during 2005.

Debt ratio of 65 per cent is slightly lower than the 68 per cent result in 2004 due to debt repayments.

Return on equity of 20.7 per cent is below the 33.1 per cent result in 2004.

Dividend declared to CIC of $29.3 million[1] decreased from $70.0 million in 2004 commensurate with lower earnings. In addition, SaskEnergy was not required to pay dividends on $31.7 million relatecto funding received from the GRF as part of Saskatchewan Energy Share.

Key Financial Data

	2005 Actual	2005 Bus. Plan	2004	2003	200	2001
Earnings	**$76.7M**	**$88.2M**	$107.8M	$40.9M	$6.9	($15.4M)
Dividend declared to CIC	[1] **$29.3M**	**$57.3M**	$70.0M	$26.7M	$4.5	Nil
Total assets	**$1,371.0M**	**$1,269.8M**	$1,286.4M	$1,235.2M	$1,211.4	$1,264.2M
ROE	**20.7%**	**25.0%**	33.1%	13.6%	2.3	Nil
Debt ratio	**65%**	**68%**	68%	72%	73	74%

[1] Dividend to CIC is based on 65 per cent of consolidated net earnings, excluding the $31.7 million of funding received fm the GRF related to Saskatchewan Energy Share.

Comparison of 2005 Results with Budget

Earnings were $11.5 million below the $88.2 million budget primarily due to a lower gain on ommodity sales and lower net earnings from operations. The gain on commodity sales in 2005 includes $53.6 million funded from the GRF to lower the cost of gas.

Revenues, excluding commodity sales, were $6.3 million higher than the budget of $314.4 mion, primarily due to higher revenues associated with gas marketing activities partially offset by lower consmption related to warmer weather.

Expenses, excluding commodity cost of sales, approximated the budget of $256.1 million.

Dividends to CIC were $28.0 million lower than the budgeted dividend of $57.3 million commensurate with lower than budgeted earnings. SaskEnergy was not required to pay dividends on $31.7 millic of funding received from the GRF related to Saskatchewan Energy Share.

2006 Outlook

SaskEnergy anticipates net earnings of $78.3 million in 2006 and approximately $60 million for each year thereafter.
Under Saskatchewan Energy Share, natural gas rates will be subsidized for the period January 1, 2006 to March 31, 2006. SaskEnergy forecasts receipts of $21.7 million in funding from the GRF.
SaskEnergy will create value for the owner by generating industry-comparable returns on utility operations, by paying dividends and maintaining a long-term capital structure target of 65% debt and 35% equity.

Key Factors Affecting Performance

Volatility of natural gas prices.
Variations in winter weather patterns: a one per cent change in winter weather can affect earnings by approximately $0.7 million.

Key Operating Data

	2005	2004	2003	2002	2001
Permanent full time equivalents	**813**	813	805	808	819
Total distribution customers	**329,240**	327,586	325,504	323,721	321,612
Residential average usage (m^3)	**3,060**	3,287	3,420	3,478	3,173
Distribution pipelines (km)	**65,992**	65,832	65,679	65,491	65,243
Transmission pipelines (km)	**14,197**	14,127	14,072	13,930	13,808
Compressor horsepower (HP)	**94,625**	99,850	103,850	104,620	104,620
Peak day gas flows (Petajoules)	**1.38**	1.48	1.46	1.30	1.30

Construction crew on the outskirts of Kindersley, 1957

Photograph courtesy Kindersley Museum

SaskWater

The Quality Advantage

Utilities

Comparison of 2005 Results with 2004 Results

Earnings of $34.0 million increased from a loss of $1.5 million in 2004. In 2005, CIC provided grant funding of $35.0 million to facilitate SaskWater's debt restructuring and $0.1 million for placement of Gradworks interns.
SaskWater's net loss of $1.1 million, before grant funding, improved from $10.8 million in 2004.
Revenues of $17.8 million increased from $16.7 million in 2004 primarily due to rate increases implemented in 2004 and 2005, and an increase in customer base.
Expenses of $19.0 million were higher than the $18.7 million in 2004 primarily due to an increase in water supply costs and the costs associated with serving an expanded customer base.
Debt decreased to $33.3 million from $54.2 million in 2004 due to debt repayment as part of its debt restructuring.
Capital spending of $2.4 million was lower than the $3.2 million spent in 2004 primarily due to the timing of planned projects.
Total water sales volume of 4.1 billion gallons is consistent with 4.1 billion gallons in 2004.
Debt ratio of 49.4 per cent was below the 81.5 per cent result in 2004 primarily due to a debt restructuring facilitated by CIC grant funding of $35.0 million.

Key Financial Data

	2005 Actual	2005 Bus. Plan	2004	2003	2002	2001
Operating Loss	**($1.1M)**	**($1.7M)**	($1.9M)	($2.7M)	($3.3M)	($4.2M)
Grant Funding from CIC	**$35.1M**	**Nil**	$9.2M	$1.1M	Nil	Nil
Total assets	**$69.9M**	**$75.7M**	$69.9M	$69.2M	$70.0M	$70.3M
Debt ratio	**49.4%**	**87.1%**	81.5%	77.9%	73.3%	64.9%

Comparison of 2005 Results with Budget

Loss before grant funding was $0.6 million better than the $1.7 million budget due primarily to lower interest costs from better than expected sinking fund earnings and early debt retirement.
Revenues were $0.1 million below the $17.9 million budget due primarily to lower than expected sales volumes, partially offset by the inclusion of irrigation related revenues.
Expenses were $0.6 million below the $19.6 million budget primarily due to lower consulting activity and interest costs.

2006 Outlook

SaskWater expects total revenues to increase by 8 per cent ($1.4 million) to $19.2 million.
SaskWater expects to invest $8.9 million in water and wastewater infrastructure projects in the province.
SaskWater expects to report a net loss of $0.5 million in 2006 and does not plan to apply for any operating grants from CIC.

Key Factors Affecting Performance

Weather: high rainfall decreases water sales.
Regulation: increased regulation creates more demand for services.

Information Services Corporation of Saskatchewan

Utilities

Comparison of 2005 Results with 2004 Results

Earnings of $8.3 million were consistent with earnings of $8.3 million in 2004.
Revenues of $45.8 million increased from $44.1 million primarily due to increased volume of land transactions, several high value transactions, and a full year of the rebalanced Personal Property Registry fee model.
Operating expenses of $37.5 million increased from $35.8 million in 2004 primarily due to higher employee and technology costs.
Debt was $39.0 million, compared to $51.0 million in 2004, reflecting repayment of $12.0 million in short-term debt due to strong operating cash flows.
Capital spending of $5.6 million was higher than the $4.6 million spent in 2004. This increase is primarily due to the development of new applications and enhancements to existing information systems.

Key Financial Data

	2005 Actual	2005 Bus. Plan	2004	2003	2002	2001
Earnings	**$8.3M**	**$5.3M**	$8.3M	($5.8M)	($6.3M)	($6.3M)
Total assets	**$47.4M**	**$47.2M**	$50.2M	$54.7M	$59.7M	$55.6M
ROA	**17.0%**	**10.5%**	15.8%	(10.1%)	(10.9%)	(14.7%)
Debt to EBITDA[1]	**2.1**	**2.6**	2.6	10.7	15.7	6.4

[1] EBITDA: Earnings before interest, taxes, depreciation and amortization

Comparison of 2005 Results with Budget

Earnings were $3.0 million higher than the $5.3 million budget, primarily due to higher revenues.
Revenues exceeded the $43.3 million budget by $1.9 million primarily due to a higher than expected volume of transactions and several high value transactions.
Operating expenses were $1.4 million below the $38.9 million budget primarily due to lower than expected employee costs as a result of vacant positions.

2006 Outlook

ISC expects increasing profitability through the development of new and enhanced products and services.
ISC has identified and will pursue registry opportunities at the provincial level.
ISC will continue to pursue opportunities to improve and enhance services in geomatics.
Working toward Level II of the National Quality Institute Healthy Workplace standards will assist ISC to become an employer of choice and help manage representative workforce, youth and succession planning initiatives.
ISC will continue to ensure compliance with privacy legislation and standards.

Key Factors Affecting Performance

Volume of searches and registrations driven by economic activity.
Revenues are influenced by property values.
Ability to achieve and sustain targeted cost reductions.

SGI CANADA

Insurance

Comparison of 2005 Results with 2004 Results

Earnings of $35.2 million decreased from $41.7 million in 2004 primarily due to severe storm claims experienced in Saskatchewan and Manitoba, as well as a loss resulting from a client default on a service agreement. While earnings decreased from 2004, SGI CANADA was still able to record its highest underwriting profit on record of $17.0 million.

Revenues increased to $308.8 million from $294.8 million in 2004. This increase is primarily due to growth in Saskatchewan premiums, partially offset by a reduction in automobile premiums experienced in Ontario and Prince Edward Island.

Claims incurred of $162.5 million increased from $157.6 million in 2004. This increase is primarily due to higher claim costs in Saskatchewan and Manitoba resulting from severe summer storm activity.

Capital spending of $3.3 million increased from $0.9 million in 2004 primarily due to renovations at head office.

Net risk ratio of 2.0 improved from 2.7 in 2004 primarily due to a $25.0 million capital injection from CIC to fund expansion of business into Alberta and further growth in Ontario.

Return on equity of 30 per cent was lower than 42 per cent in 2004.

Dividend declared to CIC of $22.9 million is below the $27.1 million declared in 2004, commensurate with lower earnings.

Key Financial Data

	2005 Actual	2005 Bus. Plan	2004	2003	2002	2001
Earnings	**$35.2M**	**$32.0M**	$41.7M	$21.2M	($8.8M)	$10.2M
Dividend declared to CIC	**$22.9M**	**$20.8M**	$27.1M	$13.8M	Nil	$9.2M
Total assets	**$598.2M**	**$582.9M**	$528.9M	$483.4M	$450.7M	$410.5M
ROE	**30%**	**29%**	42%	24%	(10%)	11%
Net Risk Ratio	**2.0**	**2.5**	2.7	2.8	2.1	1.9

Comparison of 2005 Results with Budget

Earnings were $3.2 million higher than the $32.0 million budget primarily due to lower than expected claims incurred expense and higher than anticipated investment earnings. Results from out of province operations of $3.6 million met budget.

Revenue exceeded the $304.2 million budget by $4.6 million due primarily to stronger than expected portfolio investment earnings.

Claims incurred were $7.0 million lower than the $169.5 million budget primarily due to lower than anticipated claims in Prince Edward Island and Ontario, partially offset by higher than expected summer storm activity in Saskatchewan and Manitoba.

Dividend declared to CIC was $2.1 million higher than the $20.8 million budget commensurate with increased earnings.

2006 Outlook

SGI CANADA anticipates operations to begin in Alberta in 2006, a major step in continuing to diversify the geographic policy base. Further growth is also expected in Ontario and the Maritimes.
Out of province expansion to spread risk, grow revenue and create jobs will remain a priority.

Key Factors Affecting Performance

Weather conditions (e.g., storm activity).
Geographic diversification and the purchase of reinsurance, which passes part of the risk to other insurers, mitigates the effect of adverse weather conditions.
Capital markets have a significant impact on investment earnings and profitability.
Increased competition.

Key Operating Data

	2005	2004	2003	2002	2001
Permanent full time equivalents	**1,496**	1,460	1,454	1,457	1,454
Net premiums written	**$286.4M**	$278.0M	$249.0M	$225.9M	$191.7M
Number of policies in force	**481,064**	481,065	470,018	448,397	444,163
Number of claims	**74,097**	76,140	78,537	75,634	76,404

SGI website showing the location of its brokers

SGI

Saskatchewan Auto Fund

Insurance

The Saskatchewan Auto Fund is not a subsidiary Crown corporation. Its results are included in this report because of SGI's administration of the Auto Fund. The results of the Fund are not included in CIC's or SGI's consolidated financial statements.

Comparison of 2005 Results with 2004 Results

Earnings of $61.4 million were less than the $124.9 million earned in 2004 primarily due to an increase in claims incurred. Claims were higher as a result of increasing injury benefits for injury claims prior to 2002. In addition, 2004 earnings were unusually high as a result of a higher than normal actuarial adjustment that reduced the estimated cost of prior year injury claims.

Revenues of $607.8 million increased from $596.7 million in 2004. This increase is primarily due to growth in premium revenue, a result of a newer vehicle population and an increase in the number of insured vehicles. Higher portfolio investment earnings were also a factor.

Total claims and expenses of $546.4 million increased from $471.8 million in 2004. This increase is due to higher claim costs as a result of increasing injury benefits for injuries prior to 2002. In addition, 2004 claims costs were reduced by the actuarial adjustment to estimated claim costs.

The Rate Stabilization Reserve was $163.3 million, which represents an increase from $136.9 in 2004. This increase was a result of the $61.4 million in Auto Fund earnings offset by an appropriation of $35.0 million for redevelopment of information systems.

Capital spending of $2.1 million increased from $1.8 million in 2004 primarily due to expenditures for its information system infrastructure.

Key Financial Data

	2005 Actual	2005 Bus. Plan	2004	2003	2002	2001
Earnings	**$61.4M**	**($5.6M)**	$124.9M	$11.5M	$0.8M	$18.8M
Total assets	**$1,213.4M**	**$1,151.9M**	$1,101.0M	$990.5M	$922.7M	$871.9M
Minimum capital test[1]	**159%**	**N/A**	N/A	N/A	N/A	N/A

[1] The Minimum Capital Test (MCT) is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required. The Auto Fund introduced the measure in 2005. Its target MCT is between 100 per cent and 125 per cent.

Comparison of 2005 Results with Budget

Earnings of $61.4 million exceeded the budgeted loss of $5.6 million by $67.0 million as a result of an actuarial adjustment in the current year that reduced the estimated cost of prior year injury claims. In addition, lower than expected claims incurred and higher investment earnings were contributing factors.

Revenue exceeded the $589.6 million budget by $18.2 million primarily due to higher than expected premium growth and strong portfolio investment earnings.

Claims and expenses were $48.8 million lower than the $595.2 million budget primarily due to the unbudgeted actuarial adjustment that reduced the estimated cost of prior year injury claims and also due to lower than expected claims incurred.

2006 Outlook

Auto Fund customers are expected to continue to enjoy the lowest rates in the country. Effective January 1, 2006, the Safe Driver Recognition program was improved to recognize "Platinum" customers, the safest drivers, by allowing them to earn a safety rating in excess of +10. Platinum customers can then build a cushion that will lessen the impact if they are responsible for a traffic incident in the future.

A one-time 8 per cent rebate on 2005 premiums before discounts will be issued to 2005 policyholders. This rebate is expected to reduce the Rate Stabilization Reserve by approximately $45 million.

Work on the Auto Fund information system redevelopment continues with the detailed design of release one to be completed in 2006. The first of five releases will go into production in 2007.

Key Factors Affecting Performance

Winter driving conditions and summer storm activity have a significant influence on the financial results of the Auto Fund.

Reinsurance protection is purchased to mitigate the effects of catastrophic events on the Rate Stabilization Reserve.

Returns from capital markets have a significant impact on portfolio investment earnings.

New licence plate, which SGI began issuing in 2005

Investment Saskatchewan

Commodity Based Investments

Comparison of 2005 Results with 2004 Results

Net loss, factoring in losses from discontinued operations and future income taxes, of $87.7 million fell below 2004 earnings of $19.3 million. Earnings from continuing operations of $27.8 million increased from $21.5 million in 2004.

Discontinued operations included Hypor, Crown Life Insurance Company, Centennial Foods Partnership, and MLPLP. These investments are anticipated to be exited during 2006.

Losses from discontinued operations attributable to MLPLP total $127.9 million in 2005. MLPLP's financial position was negatively impacted by the high Canadian dollar, increasing transportation costs, low pulp prices, and rising power costs. MLPLP has sought and obtained protection under the Companies' Creditors Arrangement Act (CCAA). The stay period expired March 31, 2006.

Revenue of $160.9 million increased from $37.6 million in 2004 primarily due to the consolidation of Big Sky Farms Inc. (Big Sky) as a result of adoption of a new accounting guideline that was adopted for 2005 on a go-forward basis. In addition, revenues were higher at Saskferco Products Inc. due to strong sales prices.

Expenses of $107.2 million increased significantly from $9.3 million in 2004 primarily due to the consolidation of operating expenses of Big Sky.

Long-term debt of $124.8 million increased from $15.1 million in 2004. This increase is primarily due to the acquisition of $52.0 million of debentures for MLPLP that were held by a third party, but guaranteed by CIC. In addition, the consolidation of Big Sky resulted in an increase to debt.

Capital spending for property, plant and equipment of $19.3 million increased from $0.5 million in 2004 due primarily to the consolidation of Big Sky.

Investment disbursements of $12.1 million increased from $9.5 million in 2004 due to the consolidation of Prairie Ventures Limited Partnership as a result of the application of new GAAP standards for variable interest entities.

Key Financial Data

	2005 Actual	2005 Bus. Plan	2004	2003	2002[1]	2001
Earnings	**($87.7M)**	**$14.1M**	$19.3M	$7.5M	N/A	N/A
Dividend declared to CIC	**Nil**	**Nil**	$42.3M	Nil	N/A	N/A
Total assets	**$1,362.1M**	**$724.7M**	$704.9M	$691.2M	N/A	N/A
ROE	**(16.2%)**	**2.5%**	4.0%	1.9%	N/A	N/A
Debt ratio	**13.2%**	**8.6%**	10.6%	11.3%	N/A	N/A

[1] Formerly known as CIC Industrial Interests Inc. (CIC III), Investment Saskatchewan was established as a stand-alone entity in 2003. Prior to 2003, results for CIC III were included in CIC's annual reports.

Comparison of 2005 Results with Budget

Net loss was $101.8 million below budgeted earnings of $14.1 million due losses related to MLPLP partially offset by higher than expected equity earnings from other investments.

Revenues were $55.2 million below the $216.1 million budget due to the reclassification of MLPLP as a discontinued operation, partially offset by the consolidation of Big Sky.

Expenses were $94.8 million below the budget of $202.0 million primarily due to the reclassification of MLPLP as a discontinued operation, partially offset by the consolidation of Big Sky.

Investment disbursements were $36.8 million below budget of $48.9 million primarily due to a lack of suitable investment opportunities.

2006 Outlook

Should suitable opportunities arise, Investment Saskatchewan anticipates up to $50 million in investments.
Economic challenges are expected to continue with MLPLP. As part of the CCAA process, Investment Saskatchewan will be:

- Working with major suppliers to examine the mill's cost structure;
- Continuing to pursue potential acquirers;
- Exploring all options to minimize the economic impact on the Meadow Lake region; and,
- Reviewing new partnership options.

Investment Saskatchewan anticipates the final close of the sale of its investment in Crown Life to occur during 2006. This transaction will result in a distribution of cash and invested assets to the Corporation's wholly-owned subsidiary, HARO Financial Corporation.
In January 2006, Investment Saskatchewan entered into an agreement to sell all of its ownership interests in Hypor. A gain on sale related to the disposal of this investment will be recognized in 2006.
Investment Saskatchewan anticipates disposing of its interests in Centennial Foods Partnership in 2006. In February 2006, a portion of the business was sold; the transaction will be included in 2006 financial results.
Oriented strand board prices are projected to be weaker than those experienced in 2005, which impact equity earnings from MLOSB Limited Partnership.
High natural gas prices and declining fertilizer prices will pressure earnings from fertilizer operations.

Key Factors Affecting Performance

Commodity prices.
Resolution of the operating situation of MLPLP.
U.S./Canadian exchange rate.

Investment Saskatchewan's website

Comparison of 2005 Results with 2004 Results

Earnings of $88.9 million increased from $40.2 million in 2004 primarily due to a general increase in differentials between world oil prices for light and heavy crude oil.
Revenues of $757.4 million exceeded revenues of $584.7 million in 2004. Higher revenues were due to a general increase in differentials between world oil prices for light and heavy crude oil.
Expenses of $668.5 million increased from $544.5 million in 2004 primarily due to higher input costs for heavy oil feedstock and higher income tax expense due to increased earnings.
Debt of $20.6 million decreased from $30.3 million in 2004 due to NewGrade having sufficient cash flow to retire long-term debt maturing in 2005.
Capital spending of $1.4 million increased from $0.6 million in 2004 as a result of capital replacements at the upgrader facility.
Dividend declared to CIC of $105.0 million increased from $60.4 million in 2004 commensurate with higher earnings.

Key Financial Data

	2005 Actual	2005 Bus. Plan	2004	2003	2002	2001
Earnings (CIC's 50% share)	**$88.9M**	**$15.6M**	$40.2M	$32.3M	$6.5M	$51.0M
Dividend declared to CIC	**$105.0M**	**$72.5M**	$60.4M	$7.7M	N/A	N/A
Total assets	**$171.3M**	**N/A**	$167.7M	$177.4M	$188.8M	$110.5M

Comparison of 2005 Results with Budget

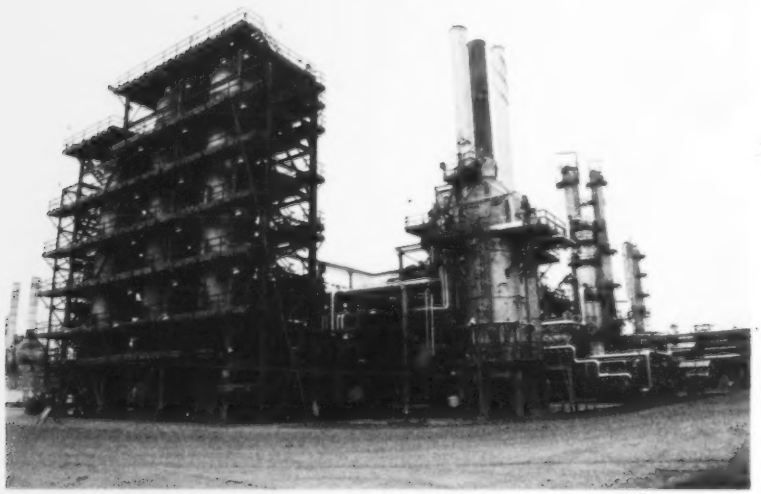
Earnings were $73.3 million above the $15.6 million budget primarily due to higher than expected differentials and throughput.
Revenues were $336.3 million above the $421.1 million budget primarily due to higher than expected differentials that reached record levels in 2005.
Expenses were $263.0 million above the $405.5 million budget primarily due to higher than expected costs for feedstock, higher than budgeted throughput and increased income tax expense due to operating results.
Dividends to CIC were $32.5 million higher than the budgeted dividend of $72.5 million commensurate with increased earnings.

2006 Outlook

Financial performance is expected to remain strong compared to historical results, due to the combination of continuing relatively high price differentials and increased throughput.
Industry analysts forecast price differentials to remain fairly high compared to historic levels.
NewGrade expects to process about the same volume of heavy crude as in 2005.
A substantial cash dividend to the shareholders is expected at the end of 2006.

Key Factors Affecting Performance

Price differentials. At budgeted operating levels, a $1 per barrel change in the price differential affects annualized earnings and cash flow by $19.6 million.
Changes in the U.S./Canada exchange rate affect crude oil prices in Canada, and proportionately affect the price differential. A lower exchange value for the Canadian dollar increases the price differential and vice versa.
The effect of U.S./Canada exchange rate changes on price differentials is partially offset by the effect on the cost of servicing U.S. dollar debt.
Natural gas input costs. A $0.10 per gigajoule change in the price of natural gas affects annualized earnings and cash flow by $1.0 million.



DHU (Distillate Hydroprocessing Unit) reactors, 2004

STC
The Bus Company

Transportation

Comparison of 2005 Results with 2004 Results

Operating loss before grant funding of $5.4 million was more than the 2004 loss of $4.7 million primarily due to increased fuel and maintenance costs, partially offset by increased ridership.
CIC provided grants of $7.4 million, $1.8 million higher than the $5.6 million provided in 2004, to cover the operating cash shortfall and capital expenditures.
Operating revenues of $14.8 million were slightly higher than the $14.0 million in 2004 primarily due to increased ridership resulting from an advertising campaign and the Centennial celebrations.
Operating expenses of $20.3 million increased from $18.8 million in 2004 primarily due to increased fuel and maintenance costs.
Capital spending of $3.8 million exceeded the $2.3 million spent in 2004. This increase is primarily due to the acquisition of land for the new Regina facility that will be constructed in 2006 and 2007.

Key Financial Data

	2005 Actual	2005 Bus. Plan	2004	2003	2002	2001
Operating loss	**($5.4M)**	**($5.9M)**	($4.7M)	($4.6M)	($4.0M)	($3.4M)
Operating grant from CIC	**$3.5M**	**$4.1M**	$3.7M	$1.6M	$2.4M	$2.0M
Capital grant from CIC	**$3.9M**	**$1.7M**	$1.9M	$1.9M	$2.4M	$1.8M
Subsidy per mile	**$1.23**	**$1.23**	$1.02	$1.05	$0.87	$0.77

Comparison of 2005 Results with Budget

Operating loss before grant funding was $0.5 million better than the $5.9 million budget primarily due to increased passenger revenues and lower than expected administration costs.
Revenues surpassed the $14.4 million budget by $0.4 million primarily due to higher than expected ridership resulting mainly from the Centennial "Youth Excursion" pass and increased charter activity.
Expenses were $0.1 million below the $20.3 million budget.

2006 Outlook

STC expects capital spending of $10.7 million in 2006, mainly for the construction of a new head office and depot. Construction of the new depot is expected to be completed in 2007.
STC will be monitoring the federal government's response to the Senate report on bus service deregulation.
STC does not anticipate significant changes to its routes.

Key Factors Affecting Performance

Fuel prices.
Declining freight market due to depressed rural economy.
Over the past decade, passenger ridership has declined. However, in 2005, STC experienced an increase in ridership. STC expects further increases as it continues to refocus on its services, advertising, and the construction of a safe and modern passenger depot.

Economic Growth

Comparison of 2005 Results with 2004 Results

Earnings of $5.5 million decreased from $6.1 million in 2004. Excluding GRF grant funding of $1.8 million, comparable 2004 results were $4.3 million. SOCO no longer receives grant funding from the GRF.
Revenues of $22.0 million were down from $23.3 million in 2004, due to grant funding of $1.8 million in 2004. Operating revenues increased relative to 2004 primarily due to increased leasing activity.
Expenses of $16.5 million decreased from $17.3 million in 2004. This decrease is primarily due to reduced financing and amortization expenses. In 2004, SOCO's research park assets were transferred to the GRF in exchange for the cancellation of SOCO's debt.
Capital spending of $6.4 million decreased from $8.8 million in 2004. This reduction is due primarily to the completion of the Saskatchewan Forest Centre Building in 2004.

Key Financial Data

	2005 Actual	2005 Bus. Plan	2004	2003	2002	2001
Earnings	**$5.5M**	**$5.7M**	$6.1M	($0.2M)	($1.4M)	($2.2M)
Total assets	**$13.7M**	**$12.5M**	$12.7M	$157.5M	$148.0M	$169.9M
Capital spending	**$6.4M**	**$7.8M**	$8.8M	$18.2M	$2.3M	$17.2M

Comparison of 2005 Results with Budget

Earnings were $0.2 million below the $5.7 million budget primarily due to less bio-processing activity than was anticipated.
Revenues were $1.0 million below the $23.0 million budget primarily due to lower than expected bio-processing revenue as a result of reduced client demand.
Expenses were $0.8 million below the $17.3 million budget primarily due to lower operating costs at the research parks.

2006 Outlook

SOCO will continue to grow the research parks to ensure a strong and vibrant technology sector in Saskatchewan.
SOCO will continue with construction of a new building at Innovation Place in Saskatoon. The building is expected to be completed in 2007.
SOCO expects to receive approval for the development of one or more new buildings at the Regina Research Park. Development activity is in response to identified market demand for space at the research parks. Existing clients are expanding and are expected to require additional space.

Key Factors Affecting Performance

Construction costs for new buildings.
Interest rates on borrowings for new buildings.
Vacancy rates in SOCO buildings.
Market rental rates.

SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION

Economic Growth

Comparison of 2005 Results with 2004 Results

Net loss of $0.1 million was less than earnings of $0.5 million in 2004 primarily due to a $0.4 million gain on sale of an investment held in SGGF Ltd. which occurred in 2004.
Revenues of $1.9 million decreased from $3.2 million in 2004 reflecting a declining investment portfolio upon which the management fee rate is based.
Expenses of $2.0 million decreased from $2.4 million in 2004 reflecting the decline in costs of the fund manager to administer the investment portfolio.
To the end of 2005, SGGF had, through its fund companies, invested more than $273 million in 72 new or expanding businesses.
Total net earnings in the fund companies for the year were $1.4 million (2004 - $2.0 million) due to unrealized losses on investment values in the Funds, partially offset by a significant unrealized gain on an investment held in one Fund.

Key Financial Data

	2005 Actual	2005 Bus. Plan	2004	2003	2002	2001
Earnings (loss)	**($0.1M)**	**$0.1M**	$0.5M	$0.4M	($0.4M)	($2.7M)
Total assets	**$4.0M**	**$2.2M**	$4.1M	$3.5M	$4.2M	$4.3M

Comparison of 2005 Results with Budget

Results were $0.2 million below the $0.1 million budget primarily due to investment losses in Fund I. Fund I results are consolidated with SGGF MC for financial reporting purposes.
SGGF MC's budget included a $1.6 million dividend to the GRF. The dividend was deferred until 2006.

2006 Outlook

Although each of SGGF's fund companies is at a different stage in its investment life cycle, there are three general categories of funds:

The first group of funds (SGGF I and II) have repaid investors and are focused on wind-down of operations.
The second group of funds (SGGF III through V) are focused on managing investments to achieve the best liquidation proceeds possible in order to repay investors as notes mature.
The second group of funds (SGGF VI, VII, and VIII) are focused on supporting investment projects with a view to developing the venture businesses and increase investment value. These funds have recently begun the process of liquidating investments to repay investors.

SGGF fund companies have provided an important source of venture capital financing in Saskatchewan to assist in economic development in the Province. As more funds reach maturity, increasing focus will be placed on extracting the most value from its remaining investments in order to maximize payments to its investors.

Key Factors Affecting Performance

Ability of the fund companies to liquidate their investment portfolios at values and in the timeframe necessary to provide for full repayment of investor capital at maturity.
Ability of the fund companies to recover their costs of operation from the revenues earned on investment funds under management
SGGF MC operates primarily on a cost-recovery basis and hence operates at or near break-even.

Crown Investments Corporation of Saskatchewan Consolidated Financial Statements

Responsibility for Financial Statements

The accompanying Consolidated Financial Statements have been prepared by management of Crown Investments Corporation of Saskatchewan. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, the Corporation's external auditors KPMG, and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG has audited the Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Consolidated Financial Statements, appears opposite.

Blair Swystun, CFA
Vice President & CFO

John Amundson, CA
Corporate Controller

April 3, 2006

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 2005 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

April 3, 2006

Consolidated Statement of Financial Position

As at December 31
(thousands of dollars)

	2005	2004
ASSETS		
Current		
Cash	$ 41,229	$ 16,722
Short-term investments (Note 3)	684,493	695,928
Accounts receivable	651,497	541,158
Inventories (Note 4)	202,034	147,051
Prepaid expenses	109,700	101,125
Assets from discontinued operations (Note 5)	404,976	61,311
	2,093,929	1,563,295
Long-term investments (Note 6)	657,093	652,665
Property, plant and equipment (Note 7)	5,688,140	5,329,223
Other assets (Note 8)	419,746	385,351
Long-term assets of discontinued operations (Note 5)	389,307	209,339
	$ 9,248,215	$ 8,139,873
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Bank indebtedness	$ 17,024	$ 8,138
Accounts payable and accrued liabilities	722,123	611,886
Notes payable (Note 9)	109,308	115,400
Dividend payable to General Revenue Fund	221,000	263,000
Deferred revenue	190,969	180,434
Income taxes payable	18,182	-
Liabilities from discontinued operations (Note 5)	164,630	35,760
Long-term debt due within one year (Note 10)	281,639	222,873
	1,724,875	1,437,491
Long-term debt (Note 10)	3,217,556	2,977,430
Deferred revenue and other liabilities (Note 11)	468,124	419,929
Long-term liabilities from discontinued operations (Note 5)	460,903	39,944
	5,871,458	4,874,794
Province of Saskatchewan's Equity		
Equity advances (Note 12)	1,181,152	1,181,152
Other equity items	(1,627)	2,427
Retained earnings	2,197,232	2,081,500
	3,376,757	3,265,079
	$ 9,248,215	$ 8,139,873

Commitments and contingencies (Note 13)
(See accompanying notes)
On behalf of the Board:

Director

Director

Consolidated Statement of Operations and Retained Earnings

For the Year Ended December 31
(thousands of dollars)

	2005	2004
REVENUE		
Sales of products and services	$ 4,155,153	$ 3,769,697
Investment (Note 6(f))	89,555	72,448
Other	5,551	4,117
	4,250,259	3,846,262
EXPENSES		
Operating costs other than those listed below	3,065,619	2,723,159
Interest (Note 14)	243,939	248,546
Amortization of property, plant and equipment	406,455	402,461
Saskatchewan taxes and resource payments (Note 15)	99,944	87,342
	3,815,957	3,461,508
Earnings before the following	434,302	384,754
Public policy expenditure (Note 16)	-	(52,046)
Future income tax expense (Note 17)	(35,881)	(26,465)
Current income tax expense (Note 17)	(20,249)	-
Non-recurring items (Note 18)	43,915	8,023
EARNINGS BEFORE DISCONTINUED OPERATIONS	422,087	314,266
LOSS FROM DISCONTINUED OPERATIONS (Note 5)	115,422	2,205
NET EARNINGS	306,665	312,061
RETAINED EARNINGS, BEGINNING OF YEAR	2,081,500	2,037,439
CONTRIBUTED SURPLUS APPLIED TO RETAINED EARNINGS (Note 19)	3,007	-
RELATED PARTY TRANSACTION ADJUSTMENT (Note 20)	(9,284)	-
ADJUSTMENT DUE TO CHANGE IN ACCOUNTING POLICY (Note 1(c))	36,344	-
	2,418,232	2,349,500
DIVIDEND TO GENERAL REVENUE FUND	(221,000)	(268,000)
RETAINED EARNINGS, END OF YEAR	$ 2,197,232	$ 2,081,500

(See accompanying notes)

Consolidated Statement of Cash Flows

For the Year Ended December 31
(thousands of dollars)

	2005	2004
OPERATING ACTIVITIES		
Net earnings	$ **306,665**	$ 312,061
Items not affecting cash from operations (Note 21)	**738,812**	371,489
	1,045,477	683,550
Net change in non-cash working capital balances related to operations	**(178,703)**	(376,844)
Cash provided by operating activities from continuing operations	**866,774**	306,706
Cash provided by operating activities from discontinued operations	**24,372**	36,094
Cash provided by operating activities	**891,146**	342,800
INVESTING ACTIVITIES		
Purchase of investments	**(815,282)**	(554,505)
Proceeds from sales and collections of investments	**819,555**	669,327
Purchase of property, plant and equipment	**(695,009)**	(479,229)
Proceeds from sale of property, plant and equipment	**4,846**	7,352
Increase in other assets	**(31,408)**	(34,825)
Cash acquired on business acquisitions	**27,012**	-
Cash used in investing activities	**(690,286)**	(391,880)
FINANCING ACTIVITIES		
Decrease in notes payable	**(6,092)**	(70,875)
Increase in deferred revenue and other liabilities	**20,933**	29,373
Long-term debt proceeds from General Revenue Fund	**379,107**	452,100
Long-term debt proceeds from other lenders	**28,128**	506
Long-term debt repayments to General Revenue Fund	**(218,806)**	(142,739)
Long-term debt repayments to other lenders	**(62,992)**	(23,409)
Dividend paid to General Revenue Fund	**(263,000)**	(205,000)
Cash (used in) provided by financing activities	**(122,722)**	39,956
NET CHANGE IN CASH DURING YEAR	**78,138**	(9,124)
CASH POSITION, BEGINNING OF YEAR	**(3,445)**	5,679
CASH POSITION, END OF YEAR	$ **74,693**	$ (3,445)
Cash position consists of:		
Cash from continuing operations	$ **41,229**	$ 16,722
Bank indebtedness from continuing operations	**(17,024)**	(8,138)
	24,205	8,584
Cash from discontinued operations	**68,647**	2,201
Bank indebtedness from discontinued operations	**(18,159)**	(14,230)
	$ **74,693**	$ (3,445)

(See accompanying notes)

Notes to Consolidated Financial Statements

December 31, 2005

1. Summary of Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, within reasonable limits of materiality, using the accounting policies summarized below:

a) Consolidation principles and basis of presentation

Certain Saskatchewan provincial Crown corporations are designated as subsidiary Crown corporations of Crown Investments Corporation of Saskatchewan (CIC) under **The Crown Corporations Act, 1993** (the Act). In addition, certain Saskatchewan provincial Crown corporations created under the Act are CIC Crown corporations. The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

Separate audited financial statements for CIC have been prepared on a non-consolidated basis to show the financial position and results of operations of the corporate entity. In addition, separate audited financial statements for each of the under noted Crown corporations are prepared and submitted annually to the Legislative Assembly.

In addition to the Crown corporations listed below, the accounts of Gradworks Inc., a wholly-owned non-profit subsidiary of CIC, is consolidated in these financial statements.

The following Crown corporations have been designated or created as subsidiary Crown corporations of CIC and have been consolidated in these financial statements:

Information Services Corporation of Saskatchewan
Investment Saskatchewan Inc.
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Transportation Company
Saskatchewan Water Corporation

Throughout these financial statements the phrase "the Corporation" is used to collectively describe the activities of the consolidated entity.

b) Joint ventures

The Corporation's share of jointly controlled enterprises included in these financial statements is as follows:

Canadian Power Consultants	**14%**
Centennial Foods Partnerships	**35%**
Cory Cogeneration Funding Corporation	**50%**
Cory Cogeneration Joint Venture	**50%**
Foragen Technologies Limited Partnership	**33%**
Hypor B.V.	**50%**
Hypor LP	**50%**
Heritage Gas Limited	**50%**
NewGrade Energy Inc.	**50%**

The consolidated financial statements are presented at December 31 and include the proportionate results of NewGrade Energy Inc. at its year end October 31. All other joint ventures are included at December 31.

Notes to Consolidated Financial Statements

December 31, 2005

1. Summary of Significant Accounting Policies (continued)

c) Change in accounting policy

Accounting Guideline 15, "Consolidation of Variable Interest Entities" (AcG-15) of the CICA Handbook is effective for periods beginning on or after November 1, 2004, as a result, the Corporation adopted this standard effective January 1, 2005. AcG-15 relates to the application of consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. The purpose of AcG-15 is to provide guidance for determining when an enterprise includes the assets, liabilities and results of activities of such an entity (a "variable interest entity") in its consolidated financial statements.

An entity falls under the guidance in AcG-15 and is classified as a variable interest entity (VIE) if it has equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; or equity investors that cannot make significant decisions about the entity's operations, or that do not absorb the expected losses or receive the expected returns of the entity. A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that will absorb a majority of the expected losses or will receive the majority of the expected residual returns or both, as a result of ownership, contractual or other financial interests in the VIE.

The Corporation has determined that the following entities fall under the classification of a VIE and have been consolidated in the financial statements:

HARO Financial Corporation (HARO)
Meadow Lake Pulp Limited Partnership (MLPLP)
Prairie Ventures Limited Partnership (PVF)

Prior to January 1, 2005, the Corporation accounted for HARO as a loan receivable, and MLPLP and PVF using the equity method. The impact of consolidating these VIEs on the balance sheet and income statement as at December 31, 2005 was to increase (decrease) assets, liabilities and income as follows:

Cash	$	**4,010**
Net current assets		**41,026**
Current assets of discontinued operations		**329,333**
Long-term investments		**(106,911)**
Property, plant and equipment		**106,549**
Other assets		**14,264**
Long-term assets of discontinued operations		**382,497**
	$	**770,768**
Net current liabilities	$	**28,521**
Current liabilities of discontinued operations		**125,821**
Net long-term liabilities		**76,748**
Long-term liabilities of discontinued operations		**407,234**
Non-controlling interest		**38,983**
Non-controlling interest in discontinued operations		**46,784**
Retained earnings		**46,677**
	$	**770,768**

Restatement of comparative financial information is not required by AcG-15. The cumulative effect to retained earnings on the adoption of AcG-15 as at January 1, 2005 is an increase of $36.3 million. Net income in 2005 increased $10.3 million as a result of the consolidation of VIE's.

Notes to Consolidated Financial Statements

December 31, 2005

1. **Summary of Significant Accounting Policies (continued)**

d) Short-term investments

Short-term investments have an average maturity date of 90 days or less from the date of acquisition. These investments are carried at cost which approximates market value.

e) Inventories

Inventories for resale are valued at the lower of average cost and net realizable value. Other supplies inventories are valued at the lower of cost and replacement cost.

f) Investments

Long-term investments in bonds, debentures and mortgages are recorded at amortized cost. Long-term investments in shares of private and public companies in which the Corporation does not exercise significant influence are recorded at cost and dividends from these shares are recorded as income when receivable. Other long-term investments are recorded at cost.

Where the Corporation has investments in shares and exercises significant influence the investments are accounted for by the equity method and the Corporation's investment is adjusted for its share of the investee's net earnings or losses and reduced by dividends received or receivable.

Where there has been a decline in the value of a long-term investment that is not considered temporary, the investment is written down to its fair value.

g) Property, plant and equipment

Property, plant and equipment are recorded at cost and include materials, services, direct labour and overhead costs which are readily identifiable with the construction activity or asset acquisition. Interest associated with major capital and development projects is capitalized during the construction period at the weighted average interest rate of long-term borrowings in the current year.

The costs of maintenance, repairs, renewals or replacements which do not extend productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized.

When property, plant and equipment are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in net earnings for the year with the following exceptions. Natural gas utility operations apply this general policy only to complete asset units. Gains or losses on the disposal or retirement of incomplete asset units are included in accumulated amortization.

Customer capital contributions related to the construction of new service connections are applied against property, plant and equipment and are amortized on a straight-line basis over the estimated service life of the related asset.

Notes to Consolidated Financial Statements

December 31, 2005

1. Summary of Significant Accounting Policies (continued)

h) Amortization of property, plant and equipment

Amortization is recorded on machinery and equipment, buildings and improvements, as well as coal properties and rights, primarily on the straight-line basis over the estimated productive life of each asset as follows:

Machinery and equipment	2 - 50 years
Buildings and improvements	20 - 40 years
Coal properties and rights	30 years

i) Asset retirement obligations

The Corporation recognizes asset retirement obligations in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes asset retirement obligations to decommission facilities in the period in which the facility is commissioned. For assets that are expected to be maintained and operated indefinitely a reasonable estimate of fair value for the assets cannot be determined. Therefore no obligation has been recorded.

The fair value of the estimated asset retirement costs is recorded as a liability in other liabilities with an offsetting amount capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion (interest) on the liability while the offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset. The accretion expense is calculated using an interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included in operating expense.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and estimates of future inflation.

Asset retirement obligations are revised periodically in accordance with changes in assumptions and estimates underlying the calculations and with experience arising from the removal of property, plant and equipment. Changes are recognized as an increase or decrease in the carrying amount of the liability for the asset retirement obligation and the related asset retirement cost.

j) Impairment of long-lived assets

The Corporation evaluates its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. An impairment is recognized when the carrying amount of an asset exceeds the undiscounted projected future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value.

Notes to Consolidated Financial Statements

December 31, 2005

1. Summary of Significant Accounting Policies (continued)

k) Disposal of long-lived assets and discontinued operations

Assets held for sale are measured at the lower of their carrying amounts and fair value less costs to dispose and are no longer amortized. Assets and liabilities held for sale are reported separately on the balance sheet. A component of the Corporation that is held for sale is reported as a discontinued operation if the operations and cash flows of the component will be eliminated from the ongoing operations as a result of the disposal transaction and the Corporation will not have a significant continuing involvement in the operations of the component after the disposal transaction.

l) Environmental remediation liabilities

Environmental remediation liabilities are accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations, remediation, operations, maintenance and monitoring at identified sites. These liabilities are based on management's best estimate considering current environmental laws and regulations and have been recorded at undiscounted amounts. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis.

m) Other assets

Natural gas in storage is recorded at the lower of cost or net realizable value. Gas removed from storage is accounted for on an average cost basis.

Customer accounts acquired are capitalized and amortized on a straight-line basis over the estimated useful lives of 3 to 10 years from the date of acquisition.

The Corporation has assigned unamortized goodwill balances to reporting units and no longer records any goodwill amortization. The Corporation identifies goodwill impairment by comparing the fair value of its reporting units to their carrying amounts. Fair values of reporting units are calculated using industry specific valuation methods which include discounted cash flows, earnings multiples and market comparable approach. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets may be impaired. Any goodwill impairment is presented as a charge against earnings in the year impairment is recognized.

n) Income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Current income taxes are recognized as estimated income taxes payable for the current year. Future income tax assets and liabilities consist of temporary differences between tax and accounting bases of assets and liabilities as well as the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

o) Deferred revenue due within one year

Current deferred revenue primarily consists of insurance premiums. These premiums are taken into income over the life of the policy.

Notes to Consolidated Financial Statements

December 31, 2005

1. **Summary of Significant Accounting Policies (continued)**

p) Provision for unpaid insurance claims

The provision for unpaid claims represents an estimate of the total cost of claims to the year-end date. Included in the estimate are reported claims, claims incurred but not reported and an estimate of adjustment expenses to be incurred on these claims. The provision is calculated without discounting except for long-term disability claims. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

q) Revenue recognition

Revenue from utility and other services is recognized when the services are delivered to customers. The estimate of services rendered but not billed is included in accounts receivable. Revenue from various telecommunications, directory, internet, entertainment and equipment sales are recognized based on access to the Corporation's network and facilities at the rate plans in effect during the period the service is provided. Revenues from insurance premiums written are taken into income over the terms of the related policies which are no longer than twelve months. Revenue from sales of reconstituted and synthetic crude are recorded on the basis of regular meter readings. Revenue from sales of other products is recognized when goods are shipped and title has passed to the customer or based on the right to revenue pursuant to contracts with customers, tenants and clients.

Interest earned on long-term investments is recognized on the accrual basis except where uncertainty exists as to ultimate collection. In cases where collectibility of interest is not reasonably assured, interest income is recorded when it is received, and accrued interest receivable is offset by deferred interest income.

r) Competitive gas sales

Where the Corporation purchases natural gas in the open market at a fixed purchase price and simultaneously enters into agreements to sell this natural gas at a fixed selling price, the gain or loss is recorded at the time the transaction is settled.

In addition, the Corporation may enter into contracts that require either the physical delivery (sale) or receipt (purchase) of natural gas in a future period. Contracts may be structured so that the settlement price is determined in the future at the time of delivery or receipt. Changes in the value of the contract due to a change in market prices up to the date of settlement are recorded as gains or losses in the period of change.

s) Electrical trading sales

Electricity trading revenues are reported on a gross basis unless the Corporation is acting in the capacity of an agent or broker, in which case revenues are recorded net of purchases. The Corporation acts as a principal in electricity trading transactions taking title to the electricity purchased for resale and assuming the risks and rewards of ownership. Therefore, electricity trading revenues are recorded on a gross basis.

t) Foreign exchange translation

Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at year end. Revenues, expenses and non-monetary items are translated at rates prevailing at the transaction date. Exchange gains and losses are included in earnings in the current year.

Notes to Consolidated Financial Statements

December 31, 2005

1. **Summary of Significant Accounting Policies (continued)**

t) Foreign exchange translation (continued)

The financial statements of the Corporation's self-sustaining foreign operations are translated using the current rate method, under which all assets and liabilities are translated at the exchange rate prevailing at year end, and revenues and expenses at average exchange rates during the year.

u) Derivative financial instruments

Derivative financial instruments are used by the Corporation to hedge its exposure to market risks relating to commodity price for natural gas, power and hog purchases, foreign currency exchange rates and interest rates.

The Corporation can designate a derivative financial instrument as a hedge when there is a high degree of correlation between price movements in the derivative financial instrument and the item being designated as being hedged. In order to qualify for hedge accounting, the derivatives must be designated by management as being a hedge and must be effective both at inception and on an on-going basis. Gains and losses are recognized and recorded in the statement of earnings and retained earnings upon settlement of the derivative instruments. If correlation ceases or the Corporation terminates its designation of the derivative financial instrument as a hedge, future changes in the market value of the derivative instruments are recognized as gains or losses in the period of change. Where a derivative financial instrument is not designated as a hedge or is not highly effective as defined by the Canadian Institute of Chartered Accountants, the derivative is marked-to-market and carried at fair value of the asset or liability on the Statement of Financial Position. The change in fair value is recognized in income.

v) Employee future benefits

The Corporation has three defined benefit pension plans and a defined contribution pension plan that provides retirement benefits for its employees. For its defined benefit plans, the Corporation has adopted the following policies:

i) For the purpose of calculating the expected return on plan assets, those assets are valued at market value, which approximates fair value.
ii) Pension obligations are determined by an independent actuary using the projected benefit method prorated on service and management's best estimate assumptions of expected plan investment performance, salary escalation, age at retirement, mortality of members and future pension indexing, based upon the consumer price index.
iii) The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date of high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.
iv) Past service costs from plan amendments and the transitional asset are amortized on a straight-line basis over a period of time which is a blending of the expected average remaining service lifetime of the active members and the future life expectancy of the pensioners.
v) The excess of the net actuarial gain (loss) over 10 per cent of the greater of the accrued benefit obligation and the fair value of the plan assets is amortized over a period of time which is blending of the expected average remaining service lifetime of the active members and the future life expectancy of the pensioners.

Notes to Consolidated Financial Statements

December 31, 2005

1. Summary of Significant Accounting Policies (continued)

v) Employee future benefits (continued)

vi) When the restructuring of a benefit plan results in both a settlement and a curtailment of obligations, the curtailment is accounted for prior to the settlement.

The Corporation also provides a defined benefit service recognition plan for employees. The cost of the plan is determined using the projected benefit method prorated on service.

w) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant items subject to estimates and assumptions include the carrying amounts of property, plant and equipment and underlying estimations of useful lives of depreciable assets and capitalization of interest, labour and overhead, provision for unpaid insurance claims, the carrying amount of goodwill, customer accounts, investments, inventory, variable interest entities, environmental liabilities and future income taxes and underlying estimates of future cash flow, the carrying amounts of accounts receivable and underlying provision for bad debts and the carrying amounts of employee future benefits and underlying actuarial assumptions. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

2. Status of Crown Investments Corporation of Saskatchewan

Crown Investments Corporation of Saskatchewan was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of **The Crown Corporations Act, 1993.** The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes. Certain jointly controlled enterprises are not Provincial Crown corporations and are subject to Federal and Provincial income taxes.

3. Short-Term Investments

Short-term investments consist of funds invested at an effective average interest rate of 3.27 per cent (2004 - 2.44 per cent).

4. Inventories
(thousands of dollars)

		2005		2004
Raw materials	$	**150,589**	$	132,230
Work-in-progress		**5,228**		2,730
Finished goods		**46,217**		12,091
	$	**202,034**	$	147,051

Notes to Consolidated Financial Statements

December 31, 2005

5. Discontinued Operations

Long-lived assets are classified as held for sale when specific criteria are met. During the year, the Corporation determined that assets held in its joint ventures Centennial Foods Partnership and Hypor, as well as its subsidiaries MLPLP and Crown Life Insurance Company meet the criteria and should be disclosed as discontinued operations. The Corporation has classified the assets, liabilities, revenue, expenses and cash flows of these operations as discontinued. 2004 comparative figures have been reclassified to reflect the same.

Hypor

In January 2006, the Corporation entered into an agreement to sell all of its ownership interest in Hypor LP, Hypor B.V., and Euribrid Espana S.A. Details of the sale are included in subsequent events, Note 28.

The Corporation has determined that it will have no continuing involvement in the operations of these businesses after completion of the sale. Therefore, the Corporation classified as discontinued operations, the operating results of these businesses for 2005 and 2004.

Crown Life Insurance Company (Crown Life)

In 1999, substantially all of Crown Life's insurance business was sold or indemnity reinsured to The Canada Life Assurance Company (Canada Life). The resulting comprehensive agreement between Crown Life and its principal shareholders, provides that at any time after January 1, 2004, Canada Life may either acquire substantially all of the balance of Crown Life's insurance business or, at the election of Canada Life or Crown Life's principal shareholders, make an offer for all of the common shares of Crown Life. In July 2003, Great West Life acquired Canada Life, which resulted in a delay in the start of negotiations with Crown Life on the final settlement of the Canada Life transaction.

The Corporation anticipates the final close of the sale of Crown Life to occur in 2006. This transaction will result in a distribution of cash and investment assets to the Corporation. The Corporation has determined that it will have no continuing involvement in the operations of Crown Life after completion of the final close, and has classified as discontinued operations, the operating results of Crown Life for 2005 and 2004.

Centennial Foods Partnership

On July 30, 2005, Centennial Foods Partnership restructured its operations into three separate partnerships, Centennial Foodservice Partnership, New Food Classics Partnership, and Centennial 67 Partnership.

In February 2006, New Food Classic Partnership was sold to a third party. Details of the sale are included in subsequent events, Note 28. During 2006, the Corporation anticipates disposing of its interests in Centennial Foodservice Partnership and Centennial 67 Partnership. The Corporation has determined that it will have no continuing involvement in the operations of this business after completion of the sales. Therefore, the Corporation classified as discontinued operations, the operating results of the Centennial Foods Partnerships for 2005 and 2004.

Notes to Consolidated Financial Statements

December 31, 2005

5. **Discontinued Operations (continued)**

Meadow Lake Pulp Limited Partnership

On December 28, 2005, MLPLP obtained creditor protection under the Companies' Creditors Arrangement Act ("CCAA"). The CCAA Order provided for a 30 day general stay period that expired on January 27, 2006, and has been extended to March 31, 2006. The stay generally precludes parties from taking any actions against MLPLP for breach of contractual or other obligations. The CCAA process will also provide time in which to investigate all options with respect to the future of the mill including the development of a cost reduction plan and the exploration of options for restructuring or selling the mill.

On January 9, 2006, the Corporation approved the provision of up to $15.0 million in Debtor-in Possession (DIP) financing to the pulp mill. The purpose of this temporary short-term liquidity facility is to assist the pulp mill during its restructuring efforts. The DIP facility is senior in priority to all other obligations and priority claims arising before and after the commencement of the CCAA proceedings, subject only to the Administrative Charge and the Directors' Charge as provided in the CCAA Order and to the prior security of HSBC Bank Canada. The DIP facility is secured by mortgages, general security agreements, share pledges in respect of all shares owned by or on behalf of the Borrowers, and other interests, fixed and floating charge debentures, security interests, hypothecs or equivalent, including without limitation, mortgages on all real property, first in priority against all assets of the pulp mill, subject only to the Administrative Charge and the Director's Charge as provided in the CCAA Order and to the prior security of HSBC Bank Canada.

In June 2005, the Corporation engaged a consulting firm to manage a sales process for MLPLP. A number of parties around the world were contacted including companies in the paper, pulp, and OSB sectors, as well as a number of financial investors. Follow up discussions have begun with some of the parties, and the Corporation anticipates selling its interest in MLPLP during 2006. The Corporation has determined that it will have no continuing involvement in the operations of this business after completion of the sale. Therefore, the Corporation classified as discontinued operations, the operating results of MLPLP for 2005 and 2004.

Assets held for disposal are comprised of the following:
(thousands of dollars)

	2005	2004
Cash	$ **68,647**	$ 2,201
Accounts receivable	**24,036**	24,136
Inventory	**47,630**	33,016
Prepaid expenses	**3,967**	1,958
Short-term investments (a)	**240,019**	-
Long-term assets classified as current (b)	**20,677**	-
	404,976	61,311
HARO term loan (c)	**-**	83,448
MLPLP loan receivable (d)	**-**	19,188
Long-term investments (e)	**381,998**	3,646
Property, plant and equipment	**2,113**	95,399
Other assets	**5,196**	7,658
	389,307	209,339
	$ **794,283**	$ 270,650

Notes to Consolidated Financial Statements

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5. **Discontinued Operations (continued)**

Obligations related to assets held for disposal are comprised of the following:
(thousands of dollars)

	2005	2004
Bank indebtedness (f)	$ 18,159	$ 14,230
Accounts payable and accrued liabilities	141,576	16,107
Long-term debt due within one year	665	5,423
Long-term liabilities classified as current (b)	4,230	-
	164,630	35,760
Long-term debt (g)	26,441	39,944
Other liabilities (h)	387,678	-
	414,119	39,944
Non-controlling interest	46,784	-
	460,903	39,944
	$ 625,533	$ 75,704

Discontinued operations are comprised of the following:

	2005	2004
Revenue	$ 344,907	$ 236,359
Expenses (d)	460,329	238,564
Loss from discontinued operations	$ 115,422	$ 2,205

a) Short-term investments consist of money market instruments with an original maturity greater than 90 days and less than one year. At December 31, 2005 the weighted average yield on such instruments was 4.0 per cent.

b) Long-term assets and long-term liabilities that have been sold since December 31, 2005 have been reclassified to current assets and current liabilities.

c) As a result of the adoption of AcG-15, the Corporation has determined that consolidation of HARO as a variable interest entity is required and has consolidated HARO's operations for 2005. The Corporation has not restated prior periods, but applied the requirements of the guidance effective January 1, 2005.

The fair value of HARO is subject to measurement uncertainty since the value is dependent on proceeds received on the final close of the sale of Crown Life. Management's estimate of the fair value of HARO is based on assumptions that reflect the most probable set of economic circumstances. However, this estimate could change materially in the near term.

Notes to Consolidated Financial Statements

December 31, 2005

5. **Discontinued Operations (continued)**

d) As a result of the adoption of AcG-15, the Corporation has determined that consolidation of MLPLP as a variable interest entity is required and has consolidated MLPLP's operations for 2005. The Corporation has not restated prior periods, but applied the requirements of the guidance effective January 1, 2005.

The Corporation made several loans to MLPLP with interest rates ranging from 6.00 per cent to 11.15 per cent maturing in 2014. In accordance with AcG-15, these loans have been eliminated on consolidation in the current year.

The fair value of MLPLP is subject to measurement uncertainty since the value is dependent upon the present value of the cash flows provided by MLPLP operations. Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, the Corporation has taken a write-down of $109.7 million in the current year, against the carrying value of its investment in MLPLP, resulting in a net carrying value of $4.0 million on its investment in MLPLP. However, given the wide fluctuations in world commodity prices for pulp, and the U.S./Canada exchange rate, this estimate could change materially in the near term.

e) Long-term investments include bonds and mortgage loans of $359.1 million with maturities ranging from under 5 years to over 10 years. At December 31, 2005, the weighted average effective annual investment yields for the portfolios of bonds and mortgage loans are 6.0 per cent and 8.8 per cent respectively. Bonds with carrying values of $7.0 million have been pledged as security for letters of credit or derivative instruments. The share portfolio of $25.5 million consists of equity investments in private corporations.

f) Bank indebtedness includes operating credit facilities to a maximum $68.0 million (2004 - $64.0 million) subject to margining requirements based on accounts receivable and inventory levels. The facilities bear interest at rates ranging from 5.00 per cent to 5.75 per cent (2004 - 4.25 per cent to 5.75 per cent).

g) The Corporation has term loans and mortgages payable with interest rates ranging from nil to 11.15 per cent (2004 - nil to 11.15 per cent) with maturities extending to 2014 (2004 - 2014).

h) Other liabilities substantially consist of policy liabilities of Crown Life. The policy liabilities include provision for future policy benefits, policyholders' funds on deposit and benefits payable and provision for unreported claims.

i) The future minimum payments under operating leases and contractual obligations for services in each of the next five years are as follows (thousands of dollars):

2006	$	**1,046**
2007		**930**
2008		**721**
2009		**329**
2010		**187**

j) Related Party Transactions included in Discontinued Operations

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Notes to Consolidated Financial Statements

December 31, 2005

5. Discontinued Operations (continued)

j) Related Party Transactions included in Discontinued Operations (continued)

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are summarized as follows (thousands of dollars):

	2005	2004
Category (as per financial statements)		
Accounts receivable	$ 77	$ 56
Prepaid expenses	3,000	682
Accounts payable and accrued liabilities	158	81
Sale of products	643	571
Operating expenses	61,677	30,057

In addition, the Corporation pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

6. Long-Term Investments
(thousands of dollars)

	Voting Percentage	2005	2004
Equity Investments			
Saskferco Products Inc. (a)	49.5%	$ 129,537	$ 136,637
ML OSB Limited Partnership (b)	25.0%	34,963	43,940
MRM Cogeneration Station (c)	30.0%	28,165	25,460
Big Sky Farms Inc. (d)	-	-	21,649
Other share investments - equity basis		36,324	41,116
		228,989	268,802
Portfolio Investments			
Share investments - cost basis		75,832	76,248
Bonds, Debentures, Loans and Notes Receivable			
Bonds and debentures		329,581	285,035
Loans and notes receivable		15,629	14,678
		345,210	299,713
Property Holdings		3,154	4,543
Leases Receivable		3,908	3,359
		$ 657,093	$ 652,665

Notes to Consolidated Financial Statements

December 31, 2005

6. Long-Term Investments (continued)

a) The Corporation owns all of the outstanding 68,449,080 (2004 - 68,449,080) Class B common shares of Saskferco Products Inc. (Saskferco) representing a 49.5 per cent interest.

b) The Corporation, is a limited partner in Meadow Lake OSB Limited Partnership (ML OSB). ML OSB operates an oriented strand board facility near Meadow Lake, Saskatchewan. CIC OSB holds a 25.0 per cent interest in ML OSB (2004 - 25.0 per cent).

The Corporation has issued 19,980,000 options to certain parties to purchase its units of ML OSB. The exercise price on 9,980,000 units is fair market value, and the exercise price on 10,000,000 units is cost, plus pro-rata share of capital taxes paid, less distributions received, plus interest. The expiry date for 9,980,000 units is October 2008 and the expiry date for 10,000,000 units is December 2011. If all options are exercised, the Corporation's interest would be diluted to 6.8 per cent.

The Corporation calculates its share of earnings using the equity method for the 9,980,000 units and the 7,500,000 (6.8 per cent) non-optioned units, and the modified cost method, as described above, is used for the remaining 10,000,000 units.

c) The Corporation has a 30.0 per cent ownership interest in the MRM Cogeneration Station. The 170 megawatt natural gas-fired cogeneration facility is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta.

d) The Corporation holds a 68.4 per cent (2004 - 68.4 per cent) interest in Big Sky, a hog production operation headquartered in Humboldt, Saskatchewan. During the year, the Corporation exercised its warrants and acquired 825,000 preferred shares for $2.8 million and, subsequently, converted all 6,575,000 preferred shares into 6,575,000 common shares. The debentures held at December 31, 2004 were fully repaid during the year.

As a result of the adoption of AcG-15, the Corporation has consolidated its investment in HARO. HARO's ownership of shares of Big Sky has resulted in the consolidation of Big Sky. The Corporation has not restated prior periods, but applied the requirements of the guidance effective January 1, 2005. There was no impact on opening retained earnings.

e) The Corporation holds one Class B share of Cameco Corporation (Cameco) which provides the Corporation with the ability to exercise special voting rights with respect to the location of Cameco's head office.

f) Included in investment revenue are earnings (losses) from equity investments as follows (thousands of dollars):

		2005		2004
Saskferco Products Inc.	$	**27,167**	$	19,667
ML OSB Limited Partnership		**11,939**		15,801
MRM Cogeneration Station		**2,705**		30
Big Sky Farms Inc.		**-**		2,866
Other		**(689)**		(3,013)
	$	**41,122**	$	35,351

Notes to Consolidated Financial Statements

December 31, 2005

7. Property, Plant and Equipment

(thousands of dollars)

	Cost	2005 Accumulated Amortization	Net Book Value	2004 Net Book Value
Machinery & equipment	$ 9,099,466	$ 4,749,386	$ 4,350,080	$ 4,327,398
Buildings & improvements	1,260,197	571,844	688,353	629,860
Plant under construction	529,173	-	529,173	254,246
Land, coal properties & rights	206,210	85,676	120,534	117,719
	$ 11,095,046	$ 5,406,906	$ 5,688,140	$ 5,329,223

During the year, the Corporation recorded a long-lived asset impairment of $15.3 million which has been included in accumulated amortization.

8. Other Assets

(thousands of dollars)

	2005	2004
Natural gas in storage	$ 167,285	$ 121,019
Deferred pension costs	82,454	77,357
Deferred supply agreements	30,190	34,764
Customer accounts acquired (a)	27,559	29,498
Future income tax asset (Note 17)	27,323	50,002
Goodwill	21,936	19,892
Other deferred charges	62,999	52,819
	$ 419,746	$ 385,351

(a) Amortization of customer accounts acquired for the year ended December 31, 2005 was $5.7 million (2004 - $5.2 million) and is expensed as part of operating costs.

9. Notes Payable

Notes payable are due to the General Revenue Fund (GRF). These notes are due on demand and have an average interest rate of 3.44 per cent (2004 - 2.50 per cent).

Notes to Consolidated Financial Statements

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10. Long-Term Debt
(thousands of dollars)

Years to Maturity	U.S.	2005 Principal Outstanding	2005 Average Interest Rate	2004 Principal Outstanding	2004 Average Interest Rate
A. General Revenue Fund		**Canadian**			
Canadian Dollar Issues					
1 - 5 years		**$ 975,557**	**9.02**	$ 724,801	9.59
6 - 10 years		**249,555**	**5.37**	276,796	6.17
11 - 15 years		**289,369**	**8.00**	3,513	8.13
16 - 20 years		**675,120**	**7.74**	417,671	7.79
21 - 25 years		**135,000**	**5.50**	310,000	6.80
26 - 30 years		**1,185,000**	**5.80**	860,000	6.11
		3,509,601		2,592,781	
U.S. Dollar Issues					
1 - 5 years	$ -	-	-	233,498	7.13
6 - 10 years	-	-	-	90,270	7.38
11 - 15 years	-	-	-	-	-
16 - 20 years	-	-	-	361,080	8.94
	$ -	-		684,848	
		3,509,601		3,277,629	
Less:					
Sinking fund balance		**(251,702)**		(221,672)	
Total due to GRF		**3,257,899**		3,055,957	
B. Other long-term debt					
Canadian Dollar Issues (due 2006 to 2026)		**220,744**	**Various**	114,018	Various
U.S. Dollar Issues (due 2006 to 2007)	**$ 17,399**	**20,552**	**10.05**	30,328	10.05
Total other long-term debt		**241,296**		144,346	
		3,499,195		3,200,303	
Less:					
Due within one year		**(281,639)**		(222,873)	
TOTAL LONG-TERM DEBT		**$ 3,217,556**		$ 2,977,430	

There is a requirement attached to certain interest-bearing issues from the GRF to make annual payments into sinking funds in amounts representing 1 per cent to 3 per cent of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the GRF on a net basis. Sinking funds are valued at amortized cost. When there has been a decline in the value of the investment of the sinking fund that is not considered temporary, the investment is written down to its fair value.

Notes to Consolidated Financial Statements

December 31, 2005

10. Long-Term Debt (continued)

Principal repayments (including sinking funds) due in each of the next five years are as follows (thousands of dollars):

2006	$ 281,658
2007	180,860
2008	485,138
2009	83,891
2010	197,522

Long-term debt payable in United States dollars has been translated into Canadian dollars at an average year-end exchange rate of 1.181 (2004 - 1.211).

11. Deferred Revenue and Other Liabilities

(thousands of dollars)

	2005	2004
Provision for unpaid insurance claims	$ 254,805	$ 232,560
Environmental remediation liabilities	66,695	53,626
Non-controlling interest	40,934	-
Asset retirement obligation	30,798	29,140
Other liabilities	24,800	23,203
Future tax liability (Note 17)	23,955	-
Management supplemental pension plans	15,930	13,044
Deferred income	10,207	6,380
Cross currency swaps	-	61,976
	$ 468,124	$ 419,929

The asset retirement obligation, environmental remediation liabilities, future tax liability and provision for unpaid insurance claims are based on known facts and interpretation of circumstances that are influenced by a variety of factors. As a result, the recorded amount of these liabilities could change by a material amount in the near term.

12. Equity Advances

The Corporation does not have share capital. However, the Corporation has received advances from the GRF to form its equity capitalization. The advances are an equity investment in the Corporation by the GRF.

13. Commitments and Contingencies

The following significant commitments and contingencies exist at December 31, 2005:

a) The Corporation has forward purchase commitments of $1,533.0 million (2004 - $1,656.0 million) for coal contracted for future minimum deliveries at current prices.

b) The Corporation has entered into forward purchase agreements to purchase 3.0 petajoules and sell 3.0 petajoules of natural gas during 2006.

Notes to Consolidated Financial Statements

December 31, 2005

13. Commitments and Contingencies (continued)

The Corporation has also entered into natural gas price swaps with counterparties, to fix the purchase price of 2.6 petajoules in 2006 and 2007. The natural gas will be held for operations.

The Corporation has entered into natural gas price swaps, to fix the selling price of 3.6 petajoules committed for sale during 2006 and 2007.

c) The Corporation has committed to provide $18.5 million (2004 - $19.8 million) in loans and equity for investment in Saskatchewan business.

d) The Corporation has entered into power purchase agreements expected to cost $4.7 billion until 2027 and provide approximately 449 megawatts of electrical generating capacity.

e) The Corporation has indemnified the Government of Canada for its guarantee of NewGrade Energy Inc.'s (NewGrade) long-term debt, to a maximum of $275.0 million. The fair value of the Corporation's guarantee is $17.5 million (2004 - $25.9 million).

f) The Corporation has guaranteed the exchange risk that exists upon default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the $360.0 million guaranteed by the GRF. At December 31, 2005, the GRF's exposure under the guarantee does not exceed $360.0 million. The Corporation does not expect any exposure under this guarantee.

g) The Corporation has issued letters of credit in the amount of $26.7 million (2004 - $47.2 million).

h) On August 9, 2004, a proceeding under the Class Actions Act (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including the Corporation's subsidiaries Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, and breach of statutory obligations concerning system administration fees. The plaintiffs seek unquantified damages from the defendant wireless communications service providers. The Corporation believes that it has strong defenses to the allegations. It is not currently known whether the proceeding will be certified as a class action and the outcome of this matter is not determinable at this time.

i) The Corporation has guaranteed $11.0 million (2004 - $12.0 million) of energy savings to various customers through the Corporation's energy performance contracts. These guarantees are mitigated by third party guarantees to the Corporation that ensure the energy savings are realized.

j) The Corporation has a $5.0 million U.S. dollar guarantee related to certain obligations to its equity investment in Gas Sur S.A., established under provisions of the shareholders' agreement.

k) On March 26, 2004, the Corporation entered into an Indemnity and Reimbursement Agreement (the indemnity) with HARO Financial Corporation (HARO), Extendicare Inc., Crown Life Insurance Company (Crown Life), and the Directors and certain Officers of Crown Life. The Corporation indemnified Crown Life and the Directors and certain Officers of Crown Life for 65.2 per cent of the costs, expenses, penalties, interest and reasonable legal fees arising out of any claim, suit or demand in respect of having declared and paid $29.2 million in dividends from Crown Life to HARO. The indemnity is limited to the dividend plus 10 per cent or $32.1 million and terminates on the earlier of the second closing of the sale of Crown Life to Canada Life Assurance Company or April 1, 2010.

l) The Corporation is the defendant to several unresolved statements of claim, and has provided for these claims in its accounts in accordance with the advice received from legal counsel. The Corporation intends to account for any differences which may arise, between amounts provided and amounts expended, in the period in which the claims are resolved.

Notes to Consolidated Financial Statements

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14. Interest Expense

(thousands of dollars)

	2005	2004
Interest on long-term debt	$ 285,526	$ 269,681
Foreign exchange losses (gains)	710	(7,126)
Amortization of deferred financing costs	1,391	1,958
	287,627	264,513
Less:		
Sinking fund earnings	(21,262)	(13,781)
Interest capitalized	(23,490)	(5,834)
	(44,752)	(19,615)
Long-term debt interest expense	242,875	244,898
Short-term debt interest expense	1,064	3,648
	$ 243,939	$ 248,546

Interest paid during the year, on a cash basis, was $282.1 million (2004 - $274.6 million).

15. Saskatchewan Taxes and Resource Payments

(thousands of dollars)

	2005	2004
Grants in lieu of taxes to municipalities	$ 46,385	$ 44,462
Saskatchewan capital tax	38,232	27,197
Insurance premium tax	12,866	11,537
Other	2,461	4,146
	$ 99,944	$ 87,342

16. Public Policy Expenditure

The Corporation, through Cabinet, was directed to provide the lowest combined costs in Canada for certain residential products provided by its subsidiaries Saskatchewan Power Corporation (residential power), Saskatchewan Telecommunications Holding Corporation (basic residential phone service), SaskEnergy Incorporated (residential heating) and Saskatchewan Government Insurance (basic car insurance).

During the year the Corporation determined that it had the lowest combined cost for the specified residential products in Canada. In 2004, the Corporation provided $137 per household to meet the directive.

Notes to Consolidated Financial Statements

December 31, 2005

17. Income Taxes

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates to income before income taxes. The main reasons for the differences are as follows (thousands of dollars):

		2005		2004
Net income before income taxes from taxable subsidiaries and joint ventures	$	**161,441**	$	71,432
Combined federal and provincial tax rate		**42.7%**		39.0%
Computed tax expense based on the combined rate		**68,912**		28,108
Increase (decrease) resulting from:				
Earnings not subject to taxation		**(11,112)**		(1,033)
Adjustment to future tax assets for enacted changes in tax laws and rates		**(1,051)**		(546)
Valuation allowance		**(2,149)**		129
Other		**1,530**		(193)
Total income tax expense	$	**56,130**	$	26,465
Income tax expense consists of:				
Future income tax expense	$	**35,881**	$	26,465
Current income tax expense		**20,249**		-
	$	**56,130**	$	26,465

The tax effects of temporary differences that give rise to significant portions of the future tax asset and future tax liability (thousands of dollars):

		2005		2004
Future tax asset:				
Non-capital loss carryforwards	$	**10,499**	$	-
Property, plant and equipment - differences in net book value and undepreciated capital cost		**20,568**		49,153
Other		**2,182**		849
		33,249		50,002
Less: Valuation allowance		**(5,926)**		-
Future tax asset	$	**27,323**	$	50,002
Future tax liability:				
Property, plant and equipment - differences in net book value and undepreciated capital cost	$	**15,965**	$	-
Other		**7,990**		-
Future tax liability	$	**23,955**	$	-

The establishment of future income tax asset and future income tax liability are based on known facts and interpretation of circumstances that are influenced by a number of factors. As a result, the recorded amount of this asset and liability could change by a material amount in the near future.

Notes to Consolidated Financial Statements

December 31, 2005

18. Non-Recurring Items

Non-recurring items include the following (thousands of dollars):

	2005	2004
Gain (loss) on:		
Saskatchewan Energy Share Plan (a)	$ 53,620	$ -
Loss on service agreement (b)	(9,705)	-
Austar United Communications Limited (c)	-	4,354
Navigata Holdings Inc. (d)	-	3,669
	$ 43,915	$ 8,023

a) On November 8, 2005, the Government of Saskatchewan established the Saskatchewan Energy Share Plan (SESP). The SESP is intended to reduce the cost of natural gas sold by the Corporation to its rate regulated customers. The plan relates to the period November 1, 2005 to March 31, 2006 as it is designed to assist natural gas customers in dealing with high natural gas prices during this period.

Under the SESP natural gas prices were capped at $7.95 per gigajoule. To December 31, 2005, the Corporation has received $53.6 million from the GRF to compensate the Corporation for the actual market cost of gas exceeding the capped $7.95 per gigajoule customer price.

b) During 1998, the Corporation issued an insurance policy to a vehicle rental company (the rental company). The policy provided bodily injury liability coverage on the rental company's vehicles being driven by its customers. The rental company paid the Corporation an annual premium under this policy between $100.0 thousand to $120.0 thousand. At the same time, the Corporation made an agreement that allowed the rental company to settle and pay all claims submitted by its customers. Because the insurance coverage was in the name of the Corporation, the rental company was required to report the Corporation quarterly on the status of all reported claims and the provision for unpaid claims. As security to guarantee the provision for unpaid claims, a trust account was to be maintained in an amount that would meet the funding of the outstanding liabilities related to the policy.

The agreement with the rental company expired on March 31, 2005. Subsequent to the expiration of the contract, the rental company filed for voluntary receivership. During the receivership proceedings, it was determined that the rental company had not reported claims correctly to the Corporation, nor had it deposited the correct amounts in the trust account. The Corporation has estimated the provision for unpaid claims relating to the insurance policy to be $10.9 million. A receivable has also been recorded of $1.2 million based on the balance in the trust account at December 31, 2005. The shortfall of $9.7 million has been charged to current year operations.

The Corporation is attempting to recover the shortfall related to this service agreement. Any recovery will be accounted for in the year of the receipt.

c) In 2004, the Corporation disposed of 9,550,574 shares of Austar United Communications Limited for net proceeds of $6.9 million resulting in a gain on sale of $4.4 million.

d) On March 29, 2004, all of the shares of Navigata Holding, Inc. were sold for $4.5 million. The proceeds consisted of $2.8 million of fibre optic cable facilities and a zero per cent interest bearing note receivable of $1.7 million. A non-cash gain of $3.7 million was recorded on the transaction.

Notes to Consolidated Financial Statements

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19. Contributed Surplus Applied to Retained Earnings

As part of the Corporation's acquisition of land title operations from the Saskatchewan Department of Justice and the SaskGeomatics Division from Saskatchewan Property Management Corporation, the Corporation received $3.0 million in contributed surplus. In December 2005, the Corporation received approval from its Board of Directors to charge this amount to retained earnings.

20. Related Party Transaction Adjustment

The Corporation issued payment to the Department of Finance on December 21, 2005 in the amount of $35.0 million to repay certain high interest-bearing loans. The transaction has been recorded in these financial statements at the carrying amount of the debt related sinking fund, premium and commission and accrued interest, which amounts to $24.4 million. The difference between the cash received and that used to retire the debt relates to the premium paid to the GRF regarding early repayment of debt. The premium has been charged first to outstanding contributed surplus of $1.3 million, and the remaining $9.3 million as a direct charge to retained earnings.

21. Items Not Affecting Cash from Operations

(thousands of dollars)

	2005	2004
Amortization of property, plant and equipment	$ **406,455**	$ 402,461
Future tax expense	**35,881**	26,465
Sinking fund earnings	**(21,262)**	(13,781)
Losses from discontinued operations	**115,422**	2,205
Other non-cash items	**202,316**	(45,861)
	$ **738,812**	$ 371,489

22. Financial Risk Management

By virtue of its business operations, the Corporation is exposed to changes in the United States/Canadian dollar exchange rate, the price of natural gas, the price of electricity and interest rates. The Corporation utilizes a number of financial instruments to manage these exposures. The Corporation mitigates risk associated with these financial instruments through Board approved policies; limits on use and amount of exposure; internal monitoring; and compliance reporting to senior management and the Board.

a) Commodity price risk management

The Corporation is exposed to gas price risk through gas purchased for its gas-fired power plants, for certain power purchase agreements and gas purchased for resale to its customers. As at December 31, 2005, the Corporation had entered into a series of natural gas contracts to manage the price of natural gas.

The fair value of the Corporation's financial instruments that pertain to natural gas price hedges is listed below (millions of dollars):

	2005		2004	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Natural gas price hedges owed to (by) the Corporation:				
- swaps	$ **(2.3)**	$ **2.3**	$ -	$ 5.7
- options	**1.9**	**(4.1)**	11.3	(11.8)
- futures	**-**	**(22.5)**	-	(3.5)

Notes to Consolidated Financial Statements

December 31, 2005

22. Financial Risk Management (continued)

a) Commodity price risk management (continued)

The fair values of the above instruments were based on the following:

i) Natural gas price swaps - The relevant index price on December 31, 2005.
ii) Natural gas price options - The relevant index price on December 31, 2005.
iii) Natural gas futures contracts - The relevant index price on December 31, 2005.

The Corporation is exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions.

The Corporation held forward instruments selling 20,599 tonnes of lean pork at an average price of $1,668.51/tonne at December 31, 2005. In addition, the Corporation held the following forward instruments purchasing feed components at December 31, 2005. All forward contracts mature in less than six months and are as follows:

	Average Price	
2,260 tonnes of Winnipeg wheat	$ 101.47	CDN/ton
1,000 tonnes of Alberta barley	123.62	CDN/ton
10,000 tons of soybean meal	445.42	US/ton
1,200 tons of soybean oil	185.90	US/ton

b) Foreign currency management

The Corporation uses a combination of derivative financial instruments to manage foreign exchange risk exposures. The Corporation does not actively trade derivative financial instruments.

The following summarizes instruments held at each year end (millions of dollars):

	2005		2004	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Owed to (by) the Corporation:				
Cross currency swaps	$ -	$ -	$ (62.0)	$ (101.9)
Foreign exchange				
- contracts	**23.5**	-	25.1	1.9
- options	-	-	1.0	-

i) Cross currency swaps, and foreign exchange contracts are valued at market rates.

c) Fair value of financial assets and liabilities

The fair value of the Corporation's financial assets and liabilities is as follows (millions of dollars):

	2005		2004	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Long-term investments (d)	$ **387.6**	$ **411.5**	$ 350.1	$ 370.9
Sinking fund equity	**251.7**	**259.0**	221.7	230.9
Long-term debt	**3,499.2**	**4,408.9**	3,200.3	3,794.1

Notes to Consolidated Financial Statements

December 31, 2005

22. **Financial Risk Management (continued)**

c) Fair value of financial assets and liabilities (continued)

The fair values of the above instruments were based on the following:

i) Long-term investments

Share investments - The fair value of publicly traded share investments is based on their final traded price per share on December 31, 2005, less estimated selling costs.

Bonds, debentures, loans and notes receivable - The fair value of bonds, debentures, loans and notes receivable is determined by discounting scheduled cash flows through estimated maturity, using estimated discount rates that reflect the credit and interest rate risk inherent in the loan, less disposition costs.

ii) Sinking fund equity

The fair value of the investments held in the sinking fund is based on their December 31, 2005, quoted market value.

iii) Long-term debt

The fair value of long-term debt is determined by the present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

d) There is no active secondary market for the Corporation's investments in its equity holdings ($229.0 million), non-publicly traded common shares ($18.3 million), property holdings ($3.2 million), leases receivable ($3.9 million), or certain loans ($15.1 million). The uncertainty and potentially broad range of fair values renders the disclosure of a fair value with appropriate reliability impractical.

e) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Credit risk relates to customer accounts receivable and unbilled revenue, short-term investments, and counterparties to financial hedges and commodity transactions. Customer accounts receivable and unbilled revenue is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan. In addition, the Corporation maintains credit policies and limits in respect to short-term investments and counterparties to financial and commodity transactions.

f) Interest rate risk

The Corporation may be exposed to interest rate risk on the maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place to offset interest rate risk as of December 31, 2005.

Notes to Consolidated Financial Statements

December 31, 2005

22. Financial Risk Management (continued)

g) Fair value of short-term financial instruments

For certain of the Corporation's financial instruments including:

i) cash;
ii) short-term investments;
iii) accounts receivable;
iv) assets from discontinued operations;
v) bank indebtedness;
vi) accounts payable and accrued liabilities;
vii) notes payable;
viii) dividend payable to General Revenue Fund, and,
ix) liabilities from discontinued operations.

the carrying amounts approximate fair value due to their immediate or short-term maturity.

23. Leases

Future minimum lease payments for operating leases entered into by the Corporation, as lessee, are as follows (thousands of dollars):

2006	**$ 56,691**
2007	**36,795**
2008	**36,023**
2009	**20,595**
2010	**19,080**
Thereafter	**3,145**
	$ 172,329

24. Related Party Transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows (millions of dollars):

	2005	2004
Accounts receivable	**$ 12.2**	$ 13.0
Accounts payable and accrued liabilities	**8.8**	7.8
Sales of products and services	**144.6**	144.0
Operating costs	**149.4**	170.3
Costs capitalized	**3.0**	1.5

Notes to Consolidated Financial Statements

December 31, 2005

24. Related Party Transactions (continued)

During 2005, the Corporation received $53.6 million (2004 - $Nil) in grants from the GRF. At December 31, 2005 the Corporation held $6.5 million (2004 - $4.2 million) in Government of Saskatchewan bonds. In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these consolidated financial statements and the notes thereto.

25. Joint Ventures

The Corporation has joint control over the operating, investing and financing policies of Canadian Power Consultants, Cory Cogeneration Fund Corporation, Cory Cogeneration Joint Venture, Foragen Technologies Limited Partnership, Heritage Gas Limited, and NewGrade Energy Inc. The Corporation's pro-rata share of its interest in these joint ventures is as follows (thousands of dollars):

	2005	2004
Current assets	$ **143,262**	$ 109,490
Long-term assets	**180,455**	205,171
Current liabilities	**105,083**	72,693
Long-term liabilities	**101,257**	114,414
Revenue	**777,762**	602,953
Expenses	**687,459**	564,735
Net earnings	**90,303**	38,218
Cash provided by operating activities	**139,605**	64,718
Cash used in financing activities	**(118,054)**	(79,938)
Cash (used in) provided by investing activities	**(11,550)**	1,844

26. Employee Future Benefits

The Corporation has three defined benefit pension plans for certain of its employees that have been closed to new membership since 1980. Current service costs of this plan are charged to earnings on the basis of actuarial valuations.

The actuarial valuations include a provision for uncommitted and ad hoc benefit increases, and are measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate. Results from the latest valuations for SaskPower, SaskTel and SGI are projected to December 31, 2005. The major assumptions used in the valuations are as follows:

Notes to Consolidated Financial Statements

December 31, 2005

26. Employee Future Benefits (continued)

Economic assumptions:

	2005		
	SaskTel	**SGI**	**SaskPower**
Discount rate - end of period	**5.25%**	**5.00%**	**5.25%**
Expected return on plan assets	**7.00%**	**6.75%**	**6.50%**
Inflation rate	**2.50%**	**2.50%**	**3.50%**
Expected salary increase	**3.00%**	**3.50%**	**2.50%**
Post-retirement index	**100% of CPI**	**50% of CPI**	**50% of CPI**
Last actuarial valuation	**12/31/03**	**12/31/02**	**12/31/04**
Remaining service life (years)	**5.00**	**5.00**	**4.45**

	2004		
	SaskTel	SGI	SaskPower
Discount rate - end of period	5.90%	5.60%	6.25%
Expected return on plan assets	7.00%	6.75%	7.00%
Inflation rate	1.90%	3.00%	3.00%
Expected salary increase	1.90%	4.00%	4.00%
Post-retirement index	100% of CPI	50% of CPI	50% of CPI
Last actuarial valuation	12/31/03	12/31/02	09/30/04
Remaining service life (years)	5.00	5.00	5.13

Information about the Corporation's defined benefit plans is as follows (thousands of dollars):

	2005			2004
	SaskTel	**SGI**	**SaskPower**	Combined
Accrued benefit obligation				
Accrued benefit obligation, beginning of year	**$ 900,521**	**$ 44,721**	**$ 716,447**	$ 1,586,211
Current service cost	**9,951**	**252**	**7,641**	20,617
Interest cost	**51,879**	**2,416**	**42,183**	97,164
Benefits paid	**(48,186)**	**(3,577)**	**(40,422)**	(95,144)
Impact of change in actuarial assumptions	**104,779**	**1,369**	**42,243**	28,545
Experience and other	**(19,108)**	**-**	**-**	(4,116)
Special termination benefit	**29,666**	**-**	**-**	28,412
Accrued benefit obligation, end of year	**$ 1,029,502**	**$ 45,181**	**$ 768,092**	$ 1,661,689

Notes to Consolidated Financial Statements

December 31, 2005

26. Employee Future Benefits (continued)

	2005			2004
	SaskTel	SGI	SaskPower	Combined
Plan assets				
Fair value of plan assets, beginning of year	$ 815,063	$ 44,377	$ 680,904	$ 1,433,696
Actual return on plan assets	111,620	4,411	111,942	157,141
Employee funding contributions	2,113	69	1,668	4,736
Employer funding contributions	37,123	-	7,518	39,915
Benefits paid	(48,186)	(3,577)	(40,422)	(95,144)
Fair value of plan assets, end of year	$ 917,733	$ 45,280	$ 761,610	$ 1,540,344
Funded status - plan surplus (deficit)	$ (111,769)	$ 99	$ (6,482)	$ (121,345)
Unamortized transitional asset	(39,118)	(3,111)	(9,333)	9,596
Unamortized past service cost	12,624	-	332	18,042
Unamortized net actuarial losses	191,728	3,449	39,452	163,306
Corporate contributions	-	-	4,742	7,071
Accrued pension asset (liability)	$ 53,465	$ 437	$ 28,711	$ 76,670

The defined benefit plan pension expense (income) is as follows (thousands of dollars):

	2005			2004
	SaskTel	SGI	SaskPower	Combined
Current service cost - defined benefit plan	$ 7,839	$ 183	$ 5,526	$ 15,400
Interest cost	51,879	2,416	42,183	97,163
Expected return on pension plan assets	(57,429)	(2,877)	(44,907)	(102,579)
Special termination benefits cost	29,666	-	-	28,412
Amortization of net transitional asset	(11,677)	(743)	(4,861)	(17,279)
Amortization of past service costs	4,957	-	129	4,432
Amortization of actuarial (gains) losses	13,708	(70)	-	12,071
Defined benefit plan pension (income) expense	$ 38,943	$ (1,091)	$ (1,930)	$ 37,620

Notes to Consolidated Financial Statements

December 31, 2005

26. Employee Future Benefits (continued)

The asset allocation of the defined benefit pension plans are as follows:

	2005		
	SaskTel	**SGI**	**SaskPower**
Asset category			
Short-term investment	**10%**	**5%**	**11%**
Bond and debentures	**30%**	**53%**	**35%**
Canadian equities	**29%**	**16%**	**28%**
U.S. equities	**8%**	**14%**	**11%**
Foreign equities	**16%**	**12%**	**15%**
Real estate	**7%**	**-%**	**-%**

Other benefit plans

Other benefit plans include a defined benefit and a defined contribution severance plan, a supplementary superannuation plan, a service recognition defined benefit plan and a voluntary early retirement plan (thousands of dollars):

	2005				2004
	SaskTel	**SGI**	**SaskPower**	**SaskEnergy**	Combined
Present value of accrued benefits	**$ 26,510**	**$ 14,781**	**$ 50,595**	**$ 13,957**	$ 82,347
Accrued benefit liability	**21,019**	**4,297**	**34,478**	**13,957**	55,243
Benefits paid	**1,996**	**658**	**6,695**	**556**	7,308
Net expense	**15,178**	**2,525**	**14,533**	**4,520**	14,750

The significant actuarial assumptions adopted in measuring the Corporations accrued benefit obligations at September 30 for SaskPower and December 31 for SaskTel, SaskEnergy and SGI are:

	2005			
	SaskTel	**SGI**	**SaskPower**	**SaskEnergy**
Discount rate	**5.20%**	**4.70%**	**5.25%**	**4.50%**
Long-term rate of compensation increases	**3.00%**	**4.00%**	**3.50%**	**2.50%**
Remaining service life (years)	**14.10**	**10.00**	**11.15**	**13.20**

	2004			
	SaskTel	SGI	SaskPower	SaskEnergy
Discount rate	6.80%	5.60%	6.00%	4.50%
Long-term rate of compensation increases	2.80%	4.00%	4.00%	3.00%
Remaining service life (years)	15.70	10.00	11.21	8.40

Defined Contribution Pension Plans

The Corporation also has employees who are members of defined contribution pension plans. The Corporation's financial obligation is limited to contractual contributions to the plan. During the year, the Corporation paid $26.1 million (2004 - $24.7 million) into these plans.

Notes to Consolidated Financial Statements

December 31, 2005

27. Rate Regulation

The Corporation's telecommunications and broadcast services are regulated by the CRTC, however, the CRTC regulates the rates for only those telecommunications services where the CRTC has not found that the service is subject to sufficient competition to rely on market forces to protect the interests of customers. Rates that the Corporation may charge for rate regulated services must receive CRTC approval prior to being implemented and may not be set below the cost of the service, calculated according to CRTC costing rules. In addition, the CRTC has implemented a price cap framework which limits the Corporation's flexibility in the pricing of some rate regulated services and, each year, may force a rate reduction for these services.

The CRTC also regulates for all services that are designed for use by competitors. The CRTC requires rates for these services to be based on service costs plus approved mark-ups. These rates are subject to potential annual changes based on the price cap framework.

Approximately $327.4 million of the Corporation's operating revenues are currently subject to CRTC rate regulation.

The Corporation has certain of its insurance products regulated by the provincial government authorities in Ontario and Prince Edward Island. This regulation applies to approximately $25.3 million of the Corporation's operating revenue.

The Corporation also has certain of its gas industry activities regulated by the National Energy Board, Manitoba Public Utility Board and the Nova Scotia Utility and Review Board. Approximately $6.8 million of the Corporation's operating revenue are subject to this rate regulation.

28. Subsequent Events

a) Centennial Foods Partnership

In February 2006, New Food Classics Partnership was sold to a third party, resulting in cash proceeds of $16.1 million. During 2006, the Corporation anticipates disposing of its interests in Centennial Foodservice Partnership and Centennial 67 Partnership and will have no continuing involvement in the operations of these businesses after completion of the sales. Therefore, the Corporation classified as discontinued operations, the operating results of Centennial Foods for 2005 and 2004.

b) Hypor

In January 2006, the Corporation entered into an agreement to sell all of its ownership interests in Hypor LP, Hypor B.V., and Euribrid Espana S.A. for cash proceeds of $15.9 million plus repayment of the $2.3 million in debt at face value. The transaction closed in February 2006 at which time the sale proceeds were received. The Corporation will recognize a gain of $5.7 million related to the disposal of this discontinued operation in 2006.

29. Comparative Figures

Certain of the 2004 comparative figures have been reclassified to conform to current year's presentation.

CIC Non-Consolidated

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CIC Non-Consolidated

CIC Non-Consolidated Management Discussion & Analysis

CIC's non-consolidated financial statements are used by CIC to determine dividend capacity to the Province's GRF. These non-consolidated financial statements isolate the corporation's cash-flow, capital support for certain subsidiary Crown corporations and public policy expenditures. Inclusion of these financial statements in the Annual Report of CIC enhances public transparency and accountability of CIC's operations.

This narrative on CIC's non-consolidated 2005 financial results should be read in conjunction with the audited non-consolidated financial statements. For the purposes of this narrative on CIC's non-consolidated financial results, "CIC" refers to the holding company.

Comparison of 2005 Results with 2004

Earnings

Earnings for 2005 were $248.1 million (2004 - $275.0 million). Compared to last year, earnings decreased by $26.9 million. The following table presents CIC's 2005 and 2004 earnings:

$ Millions	2005	2004	2003	2002	2001
Dividend revenue from Crown corporations	**194.9**	287.2	285.5	157.1	116.5
Add: Revenue from investments[1,2]	**109.5**	63.6	11.7	142.8	24.6
Less: Operating and other expenses	**(12.0)**	(9.0)	(18.3)	(18.0)	(17.8)
Public policy expenditure	**-**	(52.0)	-	-	-
Grants to subsidiaries	**(44.3)**	(14.8)	(4.6)	(19.1)	(13.1)
Total Non-Consolidated Earnings	**248.1**	275.0	274.3	262.8	110.2

[1] Investments include NewGrade and Cameco Corporation (sold in 2002).
[2] Includes gain on sale of Cameco Corporation shares of $125.7 million (2002) and dividend from Cameco (2001).

Earnings decreased by $26.9 million from 2004 primarily due to the following:

- A decrease in dividend revenue from CIC's subsidiary Crown corporations of $92.3 million;
- An increase in grants to subsidiaries of $29.5 million; and,
- An increase in operating costs of $3.0 million.

This decrease was offset by an increase in dividends from NewGrade of $44.6 million and savings due to the absence of required rebates associated with the lowest utility bundle commitment, which had rebates of $52.0 million in 2004.

Dividend Revenue

CIC's revenue is defined as the sum of dividends from subsidiary Crown corporations and CIC's interest in NewGrade. This revenue source is the primary determinant in CIC's ability to pay regular dividends to the GRF.

The two largest determinants of CIC's dividend revenue are commodity prices and weather. Commodity prices influence the crude oil differential on which NewGrade's profitability is dependant. Weather is a significant determinant as follows:

- Demand for electricity and natural gas increase during cold weather spells, impacting earnings at SaskPower and SaskEnergy.
- Accident and other insurance claims at SGI are impacted by winter driving conditions and the summer storm season.
- Water run-off levels impact SaskPower's capacity to generate hydro electricity, a much lower cost source compared to fuel and coal generation.

Dividend revenue in 2005 decreased $47.7 million to $299.9 million. The following chart shows revenue by contribution source:

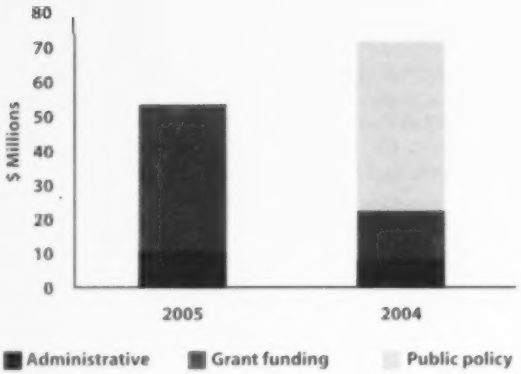
$ Millions	2005	2004	2003	2002	2001
Dividend revenue					
SaskPower	**84.8**	59.8	168.5	82.4	16.0
SaskTel	**57.9**	88.0	76.6	58.6	91.3
SaskEnergy	**29.3**	70.0	26.7	4.5	-
SGI	**22.9**	27.1	13.8	-	9.2
Investment Saskatchewan	-	42.3	-	11.6	-
New Grade	**105.0**	60.4	7.6	-	-
Cameco[1]	-	-	-	-	2.7
Total Corporate Revenue	**299.9**	347.6	293.2	157.1	119.2

[1] The Corporation's share of Cameco Corporation was sold in 2002.

- SaskPower's dividend in 2005 of $84.8 million increased $25.0 million from $59.8 million in 2004. This increase reflects higher earnings due to a rate increase in the latter part of 2004. In addition, improved hydro conditions in the Province facilitated increased hydro generation and higher electrical export revenues.
- SaskTel's dividend of $57.9 million decreased by $30.1 million from its 2004 dividend of $88.0 million due mainly to an asset write-down in Navigata and costs associated with changes to retirement benefits.
- SaskEnergy's 2005 dividend of $29.3 million decreased $40.7 million from $70.0 million in 2004 due to reduced gains on commodity sales and lower earnings from operations. In addition, SaskEnergy's earnings include $53.6 million in funding from the GRF related to Saskatchewan Energy Share. As part of this plan, SaskEnergy received $31.7 million for unrecovered natural gas costs incurred prior to October 31, 2005. SaskEnergy's dividend to CIC excluded this component, resulting in an effective dividend payout rate for 2005 of 38 per cent.
- SGI's 2005 dividend decreased $4.2 million to $22.9 million compared to $27.1 million in 2004. Record high underwriting earnings were offset by higher claims related to summer storm activity as well as a $9.7 million loss stemming from client default on a service agreement.
- Investment Saskatchewan dividend was $nil (2004 - $42.3 million). Investment Saskatchewan underwent financial restructuring in 2004, whereby CIC converted shareholder loans to Investment Saskatchewan into CIC share capital. As a result of this restructuring, CIC now applies a dividend policy to Investment Saskatchewan based on cash flow. Investment Saskatchewan's 2004 dividend of $42.3 million is based on 90 per cent of net income. In 2004, Investment Saskatchewan also paid a special dividend of $25.0 million due to the collection of a significant portion of the HARO debentures. In 2005, Investment Saskatchewan was not profitable due to losses related to its investment in MLPLP.
- NewGrade's 2005 dividend of $105.0 million increased $44.6 million over its 2004 dividend of $60.4 million. Cash flows from NewGrade's operations reached record levels due to a general increase in differentials between light and heavy crude oil prices.

Expenses

CIC's expenses are divided into three main categories: administrative, grants to subsidiary Crown corporations, and public policy expenditure. The following chart shows CIC's expenses by expense category. Total expenses in 2005 of $56.3 million were $19.6 million below the 2004 total of $75.9 million.



Administrative Expenses

Administrative expenses increased by $3.0 million during 2005 to $12.0 million. In 2003, the Saskatchewan government announced that CIC, on behalf of the Crown sector, would invest $20.0 million over the next five years to hire more young and Aboriginal people in the CIC Crown corporations. The $3.0 million increase in expenses is primarily due to the implementation of this program.

Grants to Subsidiary Crown Corporations

SaskWater received $35.1 million in grants in 2005 compared to $9.2 million last year. This increase is a result of a financial restructuring to reduce SaskWater's debt level.

CIC grant funding to STC of $7.4 million increased from funding of $5.6 million in 2004. Funding for 2005 was comprised of $3.5 million for operations funding, $1.5 million for capital requirements, and $2.4 million for construction of its new bus terminal in Regina. STC began construction of its new facility in 2005 and as such, did not receive funding for this in the prior year. Operational and capital funding were lower than 2004 levels, which were $3.7 million and $1.9 million, respectively.

Public Policy Expenditures

In 2004, CIC provided the residential customers of the Province with the lowest cost for home electricity, home natural gas, basic telephone rates and auto insurance through the Utility Bundle Rebate Program. The total cost of the program was $52.0 million. In 2005, the Saskatchewan government announced Saskatchewan Energy Share, a program to contain customer rates for natural gas. A component of this program was a cap on the consumer price for natural gas. As a result, Saskatchewan has the lowest utility bundle of basic utilities for 2005, which eliminated the need for a utility bundle rebate.

Operating, Investing and Financing Activities

$ Millions	2005	2004
Cash from Operations	**332.5**	290.4
Cash used in Investing Activities	**(25.2)**	(0.1)
Cash used in Financing Activities	**(263.0)**	(205.0)
Increase in Cash	**44.3**	85.3

Cash from operations in 2005 of $332.5 million increased from 2004 by $42.1 million. This was due to a decrease in dividends receivable as at December 31, 2005, reflecting the timing of dividend payments from Crown corporations. Dividends are paid by Crown corporations to CIC on a quarterly basis, with a one quarter lag between the dividend declaration and the dividend payment.

Cash used in investing activities was $25.2 million, substantially higher than the prior year comparative of $0.1 million. CIC increased its equity investment in SGI by $25.0 million during 2005 to facilitate SGI's expansion into Alberta and further growth in Ontario.

Cash used in financing activities is comprised entirely of CIC's dividend payments to the GRF. In 2004, CIC declared a dividend to the GRF of $268.0 million. Of this amount, $5.0 million was paid in 2004 as a special dividend in support of Saskatchewan Centennial celebrations. In March 2005, the remaining dividend of $263.0 million was paid. In addition to the $5.0 million paid in 2004 as a special dividend, CIC also paid a regular dividend in that year pertaining to its 2003 dividend declaration of $200.0 million.

Comparison of 2005 Results with Budget

$ Millions	2005 Earnings Budget	2005 Earnings Actual	Dividend (% of earnings)
Dividends to CIC			
SaskPower	**82.9**	84.8	65%
SaskTel	**84.8**	57.9	90%
SaskEnergy	**57.4**	29.3	38% / 65%[1]
SGI	**20.8**	22.9	65%
Investment Saskatchewan	**9.9**	-	-
NewGrade	**72.5**	105.0	118%
Total Dividend Revenue	**328.3**	299.9	
Grant Funding	**(34.8)**	(44.3)	
Public Policy Expenditure	**(50.0)**	-	
Other Income & Expenses	**(33.6)**	(7.5)	
Non-Consolidated Earnings	**209.9**	248.1	
Dividend to the GRF	**175.0**	221.0	

[1] SaskEnergy's 2005 approved dividend payout rate was 65%. During 2005, SaskEnergy received $53.6 million in funding from the GRF related to Saskatchewan Energy Share. Of this amount, $31.7 million related to unrecovered natural gas costs incurred prior to October 31, 2005. SaskEnergy's dividend to CIC excluded this component, resulting in an effective dividend payout rate for 2005 of 38%.

Earnings

The preceding table shows that CIC's non-consolidated earnings for 2005 compares favourably to business plan targets. Non-consolidated earnings for 2005 of $248.1 million compared favourably to the budgeted amount of $209.9 million, primarily due to savings on utility bundle rebate costs,partially offset by lower dividend revenue.

Dividend Revenue

Dividend revenue is directly proportionate to Crown earnings. The following outlines variances in dividends from Crown corporations and NewGrade:

- SaskPower dividends exceeded budget due to better than expected hydro conditions that facilitated increased hydro generation and higher electrical export revenues.
- SaskTel dividends were below budget due to higher than expected restructuring costs, the write-down of Navigata assets, and costs associated with changes to retirement benefits.
- SaskEnergy dividends were below budget due to a lower gain on commodity sales and lower earnings from operations. In addition, SaskEnergy's earnings include $53.6 million in funding from the GRF related to Saskatchewan Energy Share. As part of this plan, SaskEnergy received $31.7 million for unrecovered natural gas costs incurred prior to October 31, 2005, which was excluded from the dividend to CIC.
- SGI dividends exceeded budget, primarily due to lower claim costs and increased earnings on its portfolio investments, partially offset by as a loss resulting from client default on a service agreement.
- Investment Saskatchewan's loss of $87.7 million in 2005 fell below its earnings target of $14.1 million. Losses from discontinued operations attributable to MLPLP totaled $127.9 million in 2005.
- NewGrade dividends exceeded budget due to higher than expected differentials between prices for light and heavy crude oil.

Grant Funding

CIC's grant funding to subsidiary Crown corporations was $9.5 million higher than expected. This is primarily related to $35.0 million in grant funding paid to SaskWater during the year to facilitate its debt restructuring.

Public Policy Expenditures

CIC's earnings were positively impacted by the achievement of the lowest utility bundle cost in Canada for 2005. This was facilitated by Saskatchewan Energy Share which capped customer rates for natural gas.

Key Factors Affecting Financial Performance

Earnings of Crown Corporations

- The key factor affecting CIC's earnings are the level of dividends from commercial subsidiary Crown corporations and its joint venture in NewGrade.
- Factors affecting the level of dividends from subsidiary Crowns include the level of profits and the application of CIC's subsidiary dividend policy. The CIC Board determines dividends from a subsidiary after allocating cash for reinvestment into the Crown and also for debt reduction, if necessary. CIC expects aggregate dividends declared by its commercial subsidiaries in 2006 to be lower than in 2005.

Earnings of NewGrade

- Dividends from NewGrade are determined by NewGrade's Board of Directors. NewGrade's Board of Directors will consider the project's profitability, agreements between the shareholders, lenders and loan guarantors and capital requirements of the Corporation before declaring the dividend.

Public Policy Costs

- In 2003, the government adopted a policy to ensure that Saskatchewan families will receive the package of basic utilities including home electricity, home natural gas, basic telephone rates, and auto insurance at a total annual cost that is as low as or lower than the same package in any other province in Canada. CIC analyzes the costs of this policy and is responsible for providing rebates, if necessary. The cost, if any, of the lowest bundle package for 2006 can not be determined in advance as it is dependant on future events.

Investment Values

- CIC regularly assesses the appropriateness of the carrying value for its investments and writes down an investment if it judges there to be a permanent impairment in carrying value.

Looking Ahead to 2006

CIC's key financial initiatives for 2006 include:

- Enhance accountability and transparency through implementation of an internal audit function that will serve as a resource to CIC and smaller Crowns to provide a greater level of assurance on internal controls and processes.
- Continue to monitor new developments in financial reporting and governance, ensuring that CIC is a leader in its reporting and accountability practices.
- Continue to provide a return to the shareholder.
- Contribute to important public policy initiatives by:
  - Providing Saskatchewan families with the lowest cost utility bundle;
  - Funding youth and Aboriginal initiatives such as Gradworks; and,
  - Providing capital to fund specified economic initiatives.

Crown Corporation 2006 Earnings Budget

$ Millions	2006 Budget Earnings	Dividend	Dividend (% of earnings)
SaskPower	102.0	66.3	65%
SaskTel	70.5	50.0	71%
SaskEnergy	78.3	50.6	65%
SGI	33.8	22.0	65%
Investment Saskatchewan	38.5	N/A [1]	-
ISC	5.4		
SaskWater	(0.5)		
STC	(0.5)		
SOCO	4.9		
NewGrade	61.4	76.7	
CIC (non-consolidated), Other, Adjustments	(77.0)		
Consolidated Earnings	316.8		
Dividend to the GRF	160.0		

[1] The 2006 dividend target has not been finalized by the CIC Board of Directors.

Crown Investments Corporation of Saskatchewan Non-Consolidated Financial Statements

Responsibility for Financial Statements

The accompanying Non-Consolidated Financial Statements have been prepared by management of Crown Investments Corporation of Saskatchewan to illustrate the financial position and results of operations of the corporate entity only. They have been prepared, on a non-consolidated basis, in accordance with the basis of accounting described in Note 1(a) to the financial statements, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Non-Consolidated Financial Statements, the notes to the Non-Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, KPMG and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG has audited the Non-Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Non-Consolidated Financial Statements, appears opposite.

Blair Swystun, CFA
Vice President & CFO

John Amundson, CA
Corporate Controller

April 3, 2006

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the non-consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 2005 and the non-consolidated statements of operations and retained earnings and cash flows for the year then ended. These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan. These non-consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1(a) to the financial statements.

These non-consolidated financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are intended for the purpose of tabling with the Legislative Assembly of Saskatchewan.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

April 3, 2006

Non-Consolidated Statement of Financial Position

As at December 31
(thousands of dollars)

	2005	2004
ASSETS		
Cash and short-term investments (Note 3)	**$ 289,645**	$ 245,337
Interest and accounts receivable	**499**	286
Dividends receivable	**35,033**	120,261
Equity advances to Crown corporations (Note 4)	**1,075,382**	1,050,382
Investments in share capital corporations (Note 5)	**377,469**	377,469
Equipment (Note 6)	**504**	538
	$ 1,778,532	$ 1,794,273
LIABILITIES AND PROVINCE'S EQUITY		
Accounts payable	**$ 2,423**	$ 3,301
Dividend payable to General Revenue Fund	**221,000**	263,000
	223,423	266,301
Province of Saskatchewan's Equity		
Equity advances (Note 7)	**1,181,152**	1,181,152
Retained earnings	**373,957**	346,820
	1,555,109	1,527,972
	$ 1,778,532	$ 1,794,273

Commitments and Contingencies (Note 8)

(See accompanying notes)

On behalf of the Board:

Director

Director

Non-Consolidated Statement of Operations and Retained Earnings

For the Year Ended December 31
(thousands of dollars)

	2005	2004
REVENUE		
Dividend (Note 9)	$ 299,930	$ 347,637
Interest	4,470	3,152
Other	59	72
	304,459	350,861
EXPENSES		
General, administrative and other	11,766	8,782
Amortization	268	225
	12,034	9,007
Earnings before the following	292,425	341,854
Grant to Saskatchewan Water Corporation	(35,114)	(9,233)
Grant to Saskatchewan Transportation Company	(7,400)	(5,600)
Grant to Gradworks Inc.	(1,654)	-
Grant to Saskatchewan Government Insurance	(120)	-
Public policy expenditure (Note 10)	-	(52,046)
NET EARNINGS	248,137	274,975
RETAINED EARNINGS, BEGINNING OF YEAR	346,820	339,845
	594,957	614,820
DIVIDEND TO GENERAL REVENUE FUND	(221,000)	(268,000)
RETAINED EARNINGS, END OF YEAR	$ 373,957	$ 346,820

(See accompanying notes)

Non-Consolidated Statement of Cash Flows

For the Year Ended December 31
(thousands of dollars)

	2005	2004
OPERATING ACTIVITIES		
Net earnings	$ **248,137**	$ 274,975
Add (deduct) non-cash items:		
Amortization	**268**	225
	248,405	275,200
Net change in non-cash working capital balances related to operations (Note11)	**84,137**	15,248
Cash provided by operating activities	**332,542**	290,448
INVESTING ACTIVITIES		
Equity advances to Crown corporations	**(25,000)**	-
Purchase of equipment	**(234)**	(154)
Proceeds from sale of equipment	**-**	24
Cash used in investing activities	**(25,234)**	(130)
FINANCING ACTIVITIES		
Dividend paid	**(263,000)**	(205,000)
Cash used in financing activities	**(263,000)**	(205,000)
NET INCREASE IN CASH DURING YEAR	**44,308**	85,318
CASH POSITION, BEGINNING OF YEAR	**245,337**	160,019
CASH POSITION, END OF YEAR	$ **289,645**	$ 245,337

(See accompanying notes)

Notes to Non-Consolidated Financial Statements

December 31, 2005

1. Summary of Significant Accounting Policies

The non-consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC) have been prepared in accordance with Canadian generally accepted accounting principles except as noted in a), b) and c) below. The preparation of periodic financial statements involves the use of estimates since the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality using the accounting policies summarized below:

a) Basis of presentation

These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan in accordance with the significant accounting policies described below. The basis of accounting used to prepare these non-consolidated financial statements materially differs from Canadian generally accepted accounting principles because CIC's subsidiaries and its investment in a joint venture are accounted for using the cost method. CIC has also prepared and tabled consolidated financial statements for the same period in accordance with Canadian generally accepted accounting principles.

b) Equity advances to Crown corporations

With the exception of Investment Saskatchewan Inc., Crown corporations do not have share capital. However, eight Crown corporations have received equity advances from CIC to form their equity capitalization. The equity advances are initially recorded at cost, but where there has been a decline in the value of the investment that is not considered temporary, the investment is written down to its estimated realizable value. Dividends from these corporations are recognized as income when declared.

c) Investments in share capital corporations

Investments in shares of corporations are accounted for on the cost method regardless of whether or not joint control exists, or there is a parent-subsidiary relationship. When there has been a decline in the value of a joint venture or a share capital Crown subsidiary corporation that is not considered temporary, the investment is written down to its estimated net realizable value. Dividends from these share investments are recognized as income when declared.

d) Equipment

Equipment is recorded at cost. When these assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of operations.

Equipment is amortized using the following methods:

Computer equipment	- 30% declining balance
Furniture and equipment	- 20% declining balance
Computer software	- 3 years straight-line
Leasehold improvements	- over life of lease

Notes to Non-Consolidated Financial Statements

December 31, 2005

1. Summary of Significant Accounting Policies (continued)

e) Fair value disclosure of short-term financial instruments

For certain of CIC's financial instruments including:

i) cash and short-term investments;
ii) interest and accounts receivable;
iii) dividends receivable;
iv) accounts payable; and
v) dividend payable to General Revenue Fund (GRF)

the carrying amounts approximate fair value due to their immediate or short-term maturity.

f) Cash position

Cash position includes cash held within CIC's bank accounts and short-term investments which mature on or before March 31, 2006.

2. Status of Crown Investments Corporation of Saskatchewan

The Government Finance Office was established by Order in Council 535/47 dated April 2, 1947, and was continued under the provision of **The Crown Corporations Act, 1993** (the Act), as Crown Investments Corporation of Saskatchewan. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following corporations have been designated or created by Order in Council:

Information Services Corporation of Saskatchewan
Investment Saskatchewan Inc.
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Telecommunications
Saskatchewan Transportation Company
Saskatchewan Water Corporation

In addition to the above Crown corporations CIC is the sole member of Gradworks Inc., a non-profit corporation.

Notes to Non-Consolidated Financial Statements

December 31, 2005

3. Cash and Short-Term Investments

Included in cash and short-term investments are $289.6 million (2004 - $245.2 million) in short-term investments maturing on or before March 31, 2006 and carry an average interest rate of 3.41 per cent (2004 - 2.53 per cent).

4. Equity Advances to Crown Corporations

Equity advances to Crown corporations are as follows (thousands of dollars):

	2005	2004
Saskatchewan Power Corporation	$ **660,000**	$ 660,000
Saskatchewan Telecommunications Holding Corporation	**250,000**	250,000
SaskEnergy Incorporated	**71,531**	71,531
Saskatchewan Government Insurance (a)	**80,000**	55,000
Information Services Corporation of Saskatchewan	**12,000**	12,000
Saskatchewan Development Fund Corporation	**1,150**	1,150
Saskatchewan Water Corporation	**700**	700
Saskatchewan Government Growth Fund Management Corporation	**1**	1
	$ **1,075,382**	$ 1,050,382

a) During 2005, CIC contributed $25.0 million in equity advances to Saskatchewan Government Insurance.

b) Crown corporations are not publicly traded and therefore have no quoted market value. As a result the fair value amounts of these investments cannot be determined with sufficient reliability.

5. Investments in Share Capital Corporations

(thousands of dollars)

	Voting Percentage	2005	2004
Investment Saskatchewan Inc. (a):			
53,019,383 (2004 - 53,019,383) common shares	100%	$ **530,194**	$ 530,194
NewGrade Energy Inc. (b):			
100 (2004 - 100) Class Y voting participating common shares	50%	**50,001**	50,001
		580,195	580,195
Write down of investments:			
Investment Saskatchewan Inc.		**(152,725)**	(152,725)
NewGrade Energy Inc.		**(50,001)**	(50,001)
		$ **377,469**	$ 377,469

Notes to Non-Consolidated Financial Statements

December 31, 2005

5. **Investments in Share Capital Corporations (continued)**

a) Investment Saskatchewan Inc. was restructured on September 3, 2003 as a Crown corporation to which provisions of **The Crown Corporations Act, 1993** apply. As part of the restructuring pursuant to Order in Council 64/2004 dated February 11, 2004, CIC converted all non-interest bearing loans from Investment Saskatchewan Inc. totaling $190.2 million into 19,019,383 common shares of Investment Saskatchewan Inc. The Corporation continues as a share capital entity.

b) CIC owns 50.0 per cent of the outstanding voting participating shares of NewGrade Energy Inc. (NewGrade), a jointly controlled corporation.

CIC is committed to funding any operating shortfall of NewGrade at the end of any year. CIC will loan NewGrade up to $2.0 million, escalated by inflation, in the form of a Subordinated Operations Fee Amount after Consumers Co-operative Refineries Ltd. (CCRL) has provided its $2.0 million Subordinated Operations Fee Amount. If these loans do not cover all cash shortfalls, then CIC will loan NewGrade up to $4.0 million as a Cash Flow Deficiency Loan on a pro rata basis with CCRL. If this facility is exhausted, CIC will loan NewGrade the remainder to cover any other annual operating shortfall. These loans will bear interest at CCRL's rate of borrowing. CCRL's required Cash Flow Deficiency Loans cannot exceed $40.0 million outstanding at any time.

c) The securities of Investment Saskatchewan Inc. and NewGrade are not publicly traded and therefore have no quoted market value. As a result, the fair value amounts of these investments cannot be determined with sufficient reliability.

6. **Equipment**
(thousands of dollars)

	2005			2004
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Equipment	**$ 2,959**	**$ 2,455**	**$ 504**	$ 538

7. **Equity Advances**

CIC does not have share capital. However, CIC has received advances from the GRF to form its equity capitalization. The advances are an equity investment in CIC by the GRF.

Notes to Non-Consolidated Financial Statements

December 31, 2005

8. Commitments and Contingencies

a) CIC has guaranteed the exchange risk that exists upon default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the $360.0 million guaranteed by the GRF. At December 31, 2005, the GRF's exposure under the guarantee does not exceed $360.0 million. CIC does not expect any exposure under this guarantee in 2006.

b) CIC has indemnified the Government of Canada for their guarantee of NewGrade's long-term debt, to a maximum of $275.0 million. The fair value of the guarantee is $17.5 million (2004 - $25.9 million).

c) CIC has guaranteed the annuities for the Retirement Annuity Fund portion of the Capital Pension Plan. CIC does not expect any exposure under this guarantee in 2006.

9. Dividend Revenue

Dividend revenue consists of the following (thousands of dollars):

	2005	2004
NewGrade Energy Inc.	$ **105,000**	$ 60,424
Saskatchewan Power Corporation	**84,831**	59,768
Saskatchewan Telecommunications Holding Corporation	**57,919**	88,009
SaskEnergy Incorporated	**29,300**	70,000
Saskatchewan Government Insurance	**22,880**	27,095
Investment Saskatchewan Inc.	**-**	42,341
	$ **299,930**	$ 347,637

10. Public Policy Expenditure

The Corporation through Cabinet was directed to provide the lowest combined costs in Canada for certain residential products provided by its subsidiaries Saskatchewan Power Corporation (residential power), Saskatchewan Telecommunications Holding Corporation (basic residential phone service), SaskEnergy Incorporated (residential heating) and Saskatchewan Government Insurance (basic car insurance).

During the year CIC determined it had the lowest combined cost for the specified residential products in Canada. In 2004, CIC provided $137 per household to meet the directive.

Notes to Non-Consolidated Financial Statements

December 31, 2005

11. Net Change in Non-Cash Working Capital Balances Related to Operations

(thousands of dollars)

	2005	2004
(Increase) decrease in interest and accounts receivable	$ (213)	$ 421
Decrease in dividends receivable	85,228	13,840
(Decrease) increase in accounts payable	(878)	987
	$ 84,137	$ 15,248

12. Related Party Transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end, are as follows (thousands of dollars):

	2005	2004
Category (as per financial statements)		
Accounts receivable	$ 91	$ 11
Accounts payable	1,514	2,362
General, administrative and other expenses	1,907	620
Other revenue	46	65

In addition, CIC pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

CIC provides management services to Saskatchewan Government Growth Fund Management Corporation, without charge.

These non-consolidated financial statements and the notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

13. Pension Plan

CIC's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is administered by CIC. CIC's contributions to the Plan include making regular payments into the Plan to match the required amounts contributed by employees for current service. The total amount paid to the Plan for 2005 was $270.7 thousand (2004 - $215.7 thousand). Included in the Plan is a Retirement Annuity Fund (the Fund). The Fund provides retirement annuities at the option of retiring members of the Plan. An actuarial valuation of the Fund is performed annually. The assets of the Fund at December 31, 2005 exceed the actuarially determined net present value of retirement annuities payable.

Additional Sources of Financial Information

Subject	Information	Source
CIC	Annual and Quarterly Reports	www.cicorp.sk.ca
SaskPower	Annual and Quarterly Reports	www.saskpower.com
SaskTel	Annual and Quarterly Reports	www.sasktel.com
SaskWater	Annual and Quarterly Reports	www.saskwater.com
ISC	Annual and Quarterly Reports	www.isc.ca
SaskEnergy	Annual and Quarterly Reports	www.saskenergy.com
SGI CANADA	Annual and Quarterly Reports	www.sgi.sk.ca
STC	Annual and Quarterly Reports	www.stcbus.com
Investment Saskatchewan	Annual and Quarterly Reports	www.investsask.com
SOCO	Annual and Quarterly Reports	www.innovationplace.com
SGGFMC	Annual and Quarterly Reports	www.sggfmc.com
Saskatchewan Development Fund	Annual Report	(306)787-5914
Province of Saskatchewan Department of Finance	Annual Report Budget Documents Quarterly Reports Performance Plans	www.gov.sk.ca/finance/
Province of Saskatchewan publications	Various	www.publications.gov.sk.ca
Provincial Auditor of Saskatchewan	Audit Reports	www.auditor.sk.ca
Toronto Stock Exchange	Governance Guidelines	www.tsx.com
Conference Board of Canada	Economic Trends	www.conferenceboard.ca
Canadian Institute of Chartered Accountants	Accounting Standards	www.cica.ca
Canadian Comprehensive Auditing Foundation	Governance Topics	www.ccaf-fcvi.com

Glossary of Terms

The following terms appear in CIC's annual report. The definitions provided are specific to CIC's annual report.

Actuarial forecasts and estimates
For industries such as insurance and employee benefits, actuarial forecasts and estimates determine the future liability (i.e., future payment of insurance claims or pension benefits) associated with existing policies. Actuaries use skills in mathematics, economics, finance, probability, and statistics to develop financial estimates for uncertain future events.

Balanced scorecard
A management tool used by CIC and its subsidiary Crowns to measure the performance of each organization in achieving its respective strategic goals. The balanced scorecard translates an organization's mission and strategy into a comprehensive set of performance measures to facilitate the strategic performance measurement and management system.

Benchmark
A standard by which performance can be measured or evaluated, often based on industry standards or historical information.

Bio-diesel fuel additive
A bio-fuel usually made of vegetable oils or animal fats. Bio-diesel can be added to regular diesel to cut down on engine wear and improve fuel efficiency.

Canadian Agricultural Income Stabilization program
CAIS is a joint federal/provincial/territorial program designed to protect producers from variability in farm income in a given year due to factors such as weather, diseases and low market prices.

Capital resources
The funds that have been invested in and loaned to the corporation to allow it to carry out its operations and investment activities. A corporation's capital consists of its debt and equity.

Capital structure
The relative percentage or weighting of debt compared to equity for a corporation. The ideal capital structure for a corporation is usually specific to its industry and depends on factors such as the level of capital assets required to maintain operations, the cost of borrowing, the risk associated with the industry, and shareholder expectations.

Cash flow return on equity
A measure of profitability used to evaluate the Province's investment in CIC. It is based on the cash return (e.g., dividend) provided to the owner and is calculated as dividends paid to the GRF divided by the Province's equity.

Consolidated financial statements
The combination of the financial positions and earnings reports of the parent company with those of its subsidiaries into an overall report, as if they were a single entity. Consolidated financial statements are required by Generally Accepted Accounting Principles in Canada.

Corporate governance
The set of processes, customs, policies, laws and institutions affecting the way a corporation is directed, administered or controlled.

Crown sector
Refers to CIC and its subsidiary Crown corporations.

CRTC
Canadian Radio-television and Telecommunications Commission. The CRTC is an independent agency responsible for regulating Canada's broadcasting and telecommunications systems. SaskTel is regulated by the CRTC.

Debt ratio
Measures the per cent of debt in the overall capital structure of an organization and is used to evaluate its financial flexibility. It is calculated as total debt from ongoing operations divided by the corporation's capital (debt plus equity).

Dividends
Cash payments made by a firm to its owners, usually as a distribution of profits or excess cash in the firm. CIC's subsidiary Crown corporations pay dividends to CIC. CIC pays dividends to the Province's General Revenue Fund.

Dividend capacity
The financial ability that a firm has to pay dividends. Dividend capacity is determined by identifying cash sources from operations, analyzing reinvestment needs and the target capital structure, and then determining surplus cash.

Dividend payout rate
The percentage of earnings that has been paid out as dividends.

Earnings
The positive difference between total revenues and total expenses. Other terms used are profits and net income. Where total expenses exceed total revenues, the result is a net loss.

EBITDA
Earnings before interest, taxes, depreciation and amortization.

Fiscal year
The fiscal year for CIC and its subsidiary Crown corporations is January 1 to December 31. The fiscal year for NewGrade Energy Inc. is November 1 to October 31. The fiscal year for the Government of Saskatchewan is April 1 to March 31.

Generally Accepted Accounting Principles (GAAP)
CIC prepares its financial statements in accordance with generally accepted accounting principles (GAAP) in Canada. These principles are a common set of accounting standards and procedures issued by the Canadian Institute of Chartered Accountants that are used in the preparation of financial statements.

General Revenue Fund (GRF)
The GRF is a special purpose fund that the Government uses to pay for most of the programs it provides. It is the Government of Saskatchewan's central accounting entity where all public monies are deposited to and disbursed from, as authorized by the Legislative Assembly.

Geographic Information System (GIS)
A system used by Information Services Corporation that acquires, stores, analyzes, and displays geographical data. It provides a link between the database information and maps.

Geomatics
A system used by Information Services Corporation that serves as a central source for survey and mapping services, including plan processing and GIS information.

Gigajoule
A unit of energy used to measure natural gas; it is equal to one billion joules.

Holding company
A company that holds ownership, either partial or complete, in another company or group of companies. CIC is the holding company for its subsidiary corporations.

Joint venture/partnership
A strategic alliance between two or more parties to undertake economic activity together. The parties agree to create a new entity by both contributing equity, and they then share in the revenues, expenses, and control of the enterprise. The venture can be for one specific project only, or a continuing business relationship.

Megawatts
A unit of electrical power equal to one million watts. Watts are the standard unit of measure for power. SaskPower measures its electrical generation, transmission, and consumption in Megawatts.

Net risk ratio
An indicator of financial flexibility commonly used in the insurance industry to relate the amount of equity capital (e.g., funds available for insurance payments) to the level of business supported (e.g., the estimated future claims payments related to existing insurance policies).

Non-consolidated financial statements
CIC's non-consolidated financial statements are specific purpose statements that are prepared for the Legislative Assembly to isolate the results of a legal entity holding corporation. These financial statements do not follow Generally Accepted Accounting Principles in Canada since they are not consolidated with its subsidiary Crown corporation's.

Performance Management Plans
Plans that are developed by each Crown corporation detailing key strategic priorities, measures and targets for a given year. They are also referred to as business plans, and typically include the corporation's budget for the year.

Reinsurance
A means by which an insurance company shares the risk of loss with another insurance company.

Restated
This term is used when there has been a change in accounting policies or a correction of error from the previous year in the financial statements which requires a charge to the opening retained earnings balance.

Retained earnings
The aggregate amount of undistributed earnings since inception. Retained earnings do not represent available cash.

Return on equity
A measure of profitability that relates a company's earnings to the investment by its owners. It is calculated as net earnings divided by average shareholder's equity.

Saskatchewan Personal Property Registry (SPPR)
A program administered by Information Services Corporation that offers search and registration services pertaining to personal property.

Significant transaction
Significant transactions are those judged by a Crown corporation to be sensitive and likely of interest to legislators and the public; or where the transaction is both material and outside the ordinary course of business and involves:
- the acquisition of a major investment or asset, or the assumption of a major liability;
- a change in the terms and conditions governing an existing investment or asset; or
- the divestment of a major asset or investment.

Sinking fund
An account held for the specific purpose of paying down an existing debt instrument (e.g., loan) that has a maturity date in the future. Money is placed in the fund over the period which the debt is held, and then used to pay off the debt at its maturity. Sinking funds are netted against the related debt for financial reporting purposes.

Subsidiary
A company that is owned by another company. If a subsidiary is wholly owned, all of its equity is held by the parent company.

TSX Corporate Governance
The Toronto Stock Exchange established a set of 14 guidelines by which to benchmark the effectiveness of disclosure methods for corporate governance models.

Voice over Internet Protocol (VoIP)
A technology in the telecommunications industry that allows customers to make telephone calls using a broadband Internet connection instead of a regular phone line.

Zero emission energy
Energy that can be produced without creating greenhouse gas emissions. An example of zero emission energy is wind power.

In Memoriam

CIC's 2005 Annual Report is dedicated to the memory of Larry Spannier, Senior Vice President, Economic Initiatives, who died January 29, 2006 at age 53.

Larry was a dedicated civil servant who spent his entire career working for the Government and people of Saskatchewan. He was born in Wakaw and raised in Regina. After earning his Bachelor's degrees in Arts and Administration from the University of Regina, Larry joined the Department of Co-operatives in 1977 as a management advisor. Over the years he worked in a number of other departments including Labour, Finance, and Executive Council. He was Executive Director of the Treasury Board Branch of Finance in the early 1990s, where he played a role in turning the province's finances around. He was also an Assistant Deputy Minister of Finance before becoming Associate Deputy Minister of Economic and Co-operative Development in 1998. He was appointed Deputy Minister of the department in 2000 and retained that role in 2002 with the newly formed department of Industry and Resources.

Larry joined CIC on June 1, 2005 as Senior Vice President in the corporation's new Economic Initiatives Division. In that role, he was responsible for managing the province's investment in NewGrade Energy Inc. and was instrumental in launching the Entrepreneurial Foundation of Saskatchewan and the Saskatchewan Entrepreneurial Fund. He also chaired the technical team of the Premier's Task Force on Forest Development, which has evolved into the Forestry Secretariat at CIC.

Larry also served on a number of boards during his career. They included: The Canadian Light Source Inc., the Saskatchewan Trade and Export Partnership, Communities of Tomorrow, the Saskatchewan Gaming Corporation, and the Saskatchewan Government Growth Fund Management Corporation. He was also an avid sports fan and supporter, serving on the boards of the Saskatchewan Roughriders and the 2003 Grey Cup Committee, as well as the Royal Regina Golf Club.

Larry will be missed by his colleagues at CIC and throughout the Saskatchewan Government, as well as by colleagues and associates in industry and community organizations.

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Maynard Sonntag
Minister

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